



January 15, 2020

The Honorable Guy Guzzone, Chair
 Senate Budget and Taxation Committee
 3 West Miller Senate Office Building
 Annapolis, MD 21401

Support w/ Amendment - SB 63 – Baltimore City – Property Tax Credit for Newly Constructed Dwellings

Dear Senator, Guzzone and Committee Members:

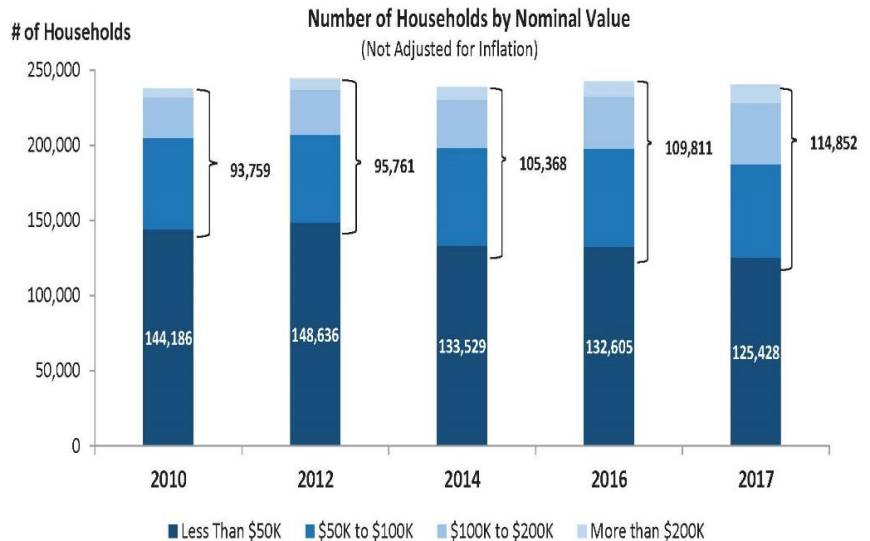
The NAIOP Maryland Chapters represent more than 700 companies involved in all aspects of commercial, industrial and mixed-use real estate. SB 63 reauthorizes and modifies the Baltimore City tax credit for new residential construction and major renovations.

For 23-years the tax credit has encouraged new investment and homeownership in Baltimore. It provides a five-year tax credit - 50% in the first year and declining by 10% each subsequent year. The credit was inadvertently allowed to expire in 2019.

One function of the bill is to reauthorize the tax credit until 2025, which NAIOP strongly supports. However, we have concerns about new eligibility provisions that would narrow its application and complicate its administration. We recommend that the new eligibility provisions be removed and that they be considered locally as part of the review and comprehensive analysis of tax credit programs called for in the City’s Ten-Year Financial Plan.

The tax credit has a history of stimulating new construction and renovation of existing buildings. In addition to encouraging homeownership, the credit generates important property, income and sales tax benefits because it incentivizes households with higher net incomes to move-to or remain as City residents.

In its fiscal 2020 recommendations, the Baltimore City Board of Revenue Estimates reported, *“Despite a decline in population, the City has benefitted from an inflow of higher income new residents,”* (page 33)



As the Board’s chart above illustrates, most of the growth in higher income households was from those earning between \$100,000 and \$200,000, which increased from 26,742 in 2010 to 40,948 in 2017, at net increase of 53.1%.

This is a household demographic that makes up a large part of the market for new construction and whose increasing numbers are helping to maintain the City's income tax base when total population is declining.

As mentioned above, we are concerned about the proposed new eligibility provisions that would narrow application and complicate administration of the credit. Although applications for the credit are not evenly distributed throughout the neighborhoods in the City, we believe the General Assembly should provide broad authority so that the performance of the credit can be optimized locally. We recommend that the new eligibility provisions be removed from SB 63 so that they can be considered as part of on-going evaluation of this and other tax credits currently underway in the City.

For these reasons NAIOP respectfully recommends your support with amendment report on SB 63.

Sincerely;



Tom Ballentine, Vice President for Policy
NAIOP Maryland Chapters -*The Association for Commercial Real Estate*

cc: Senate Budget and Taxation Committee Members
Nick Manis – Manis, Canning Assoc.