

SB63ResidentialNewConstructionTaxCredit-NAIOPLtr

Uploaded by: BALLENTINE, TOM

Position: FAV



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:

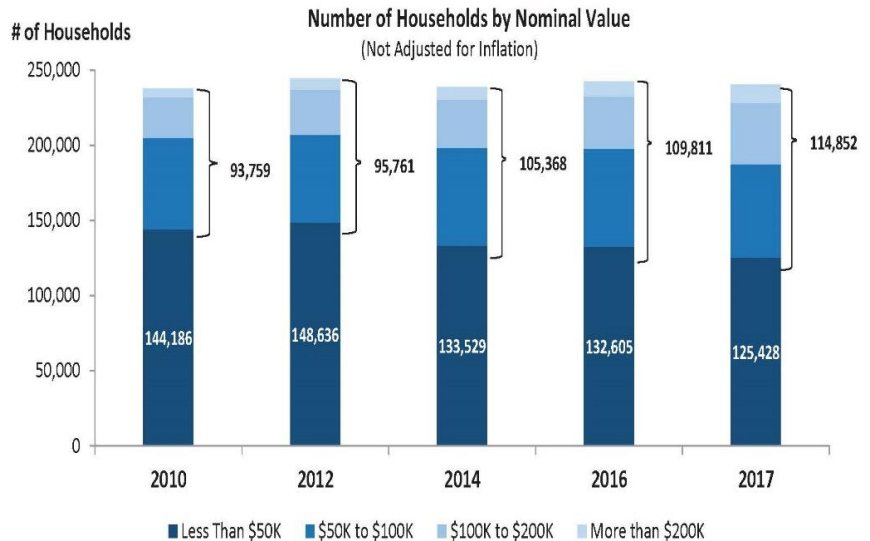
The NAIOP Maryland Chapters represent more than 700 companies involved in all aspects of commercial, industrial and mixed-use real estate. SB 63 reauthorizes and modifies the Baltimore City tax credit for new residential construction and major renovations.

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.

HAYES Appendix for SB63

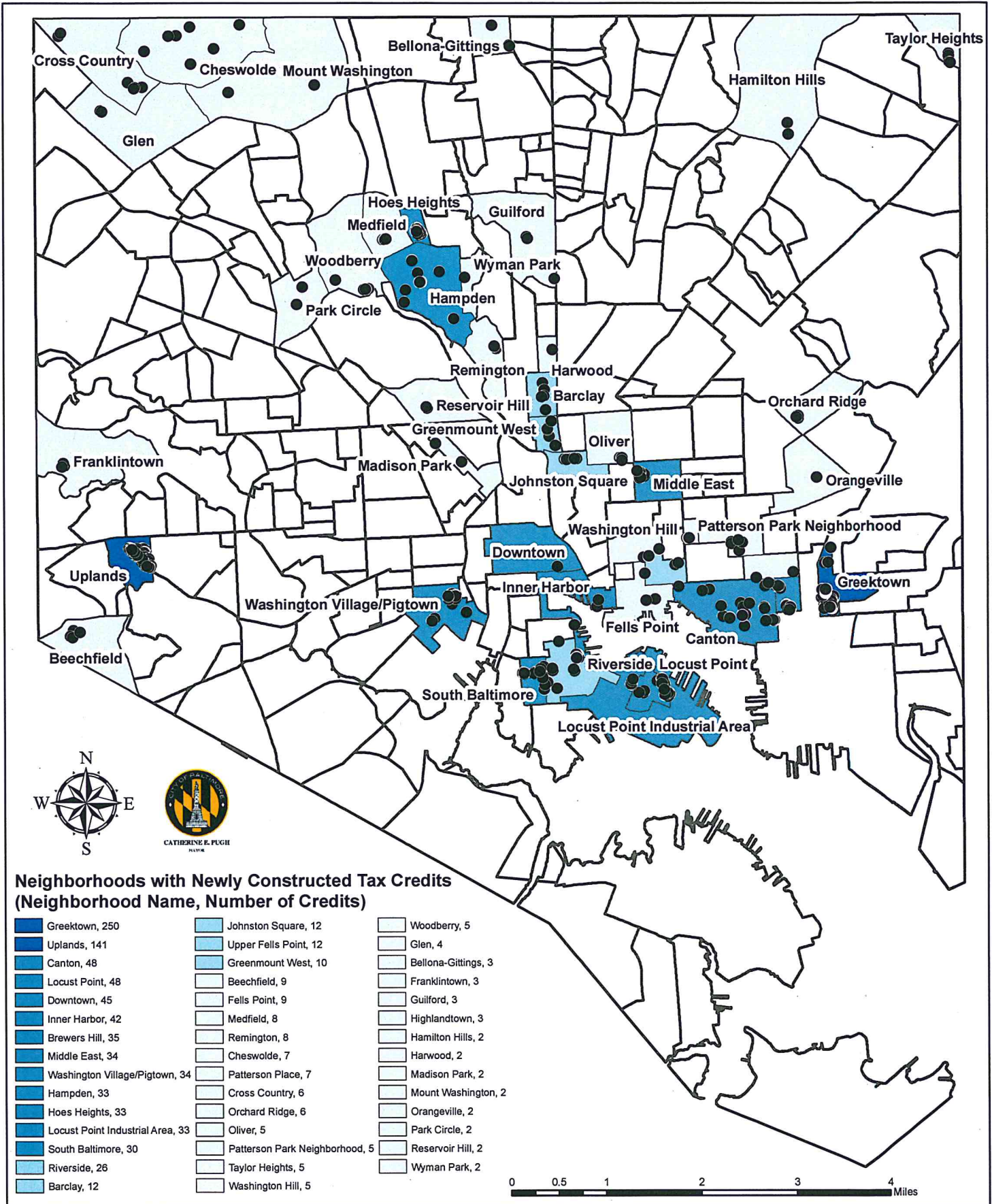
Uploaded by: Hayes, Antonio

Position: FAV

City of Baltimore

Newly Constructed Tax Credits by Neighborhood

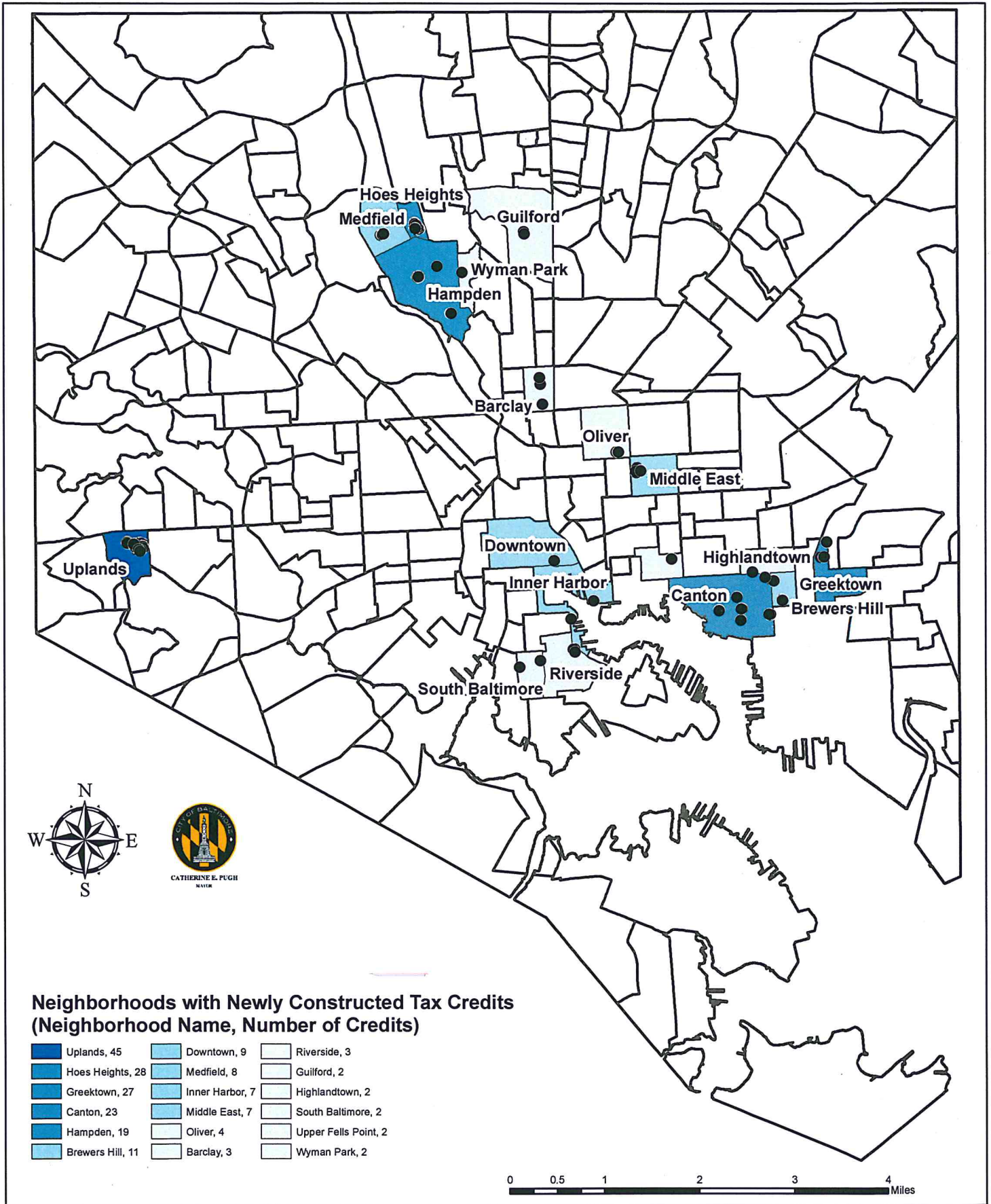
FY 2015 -- FY 2019

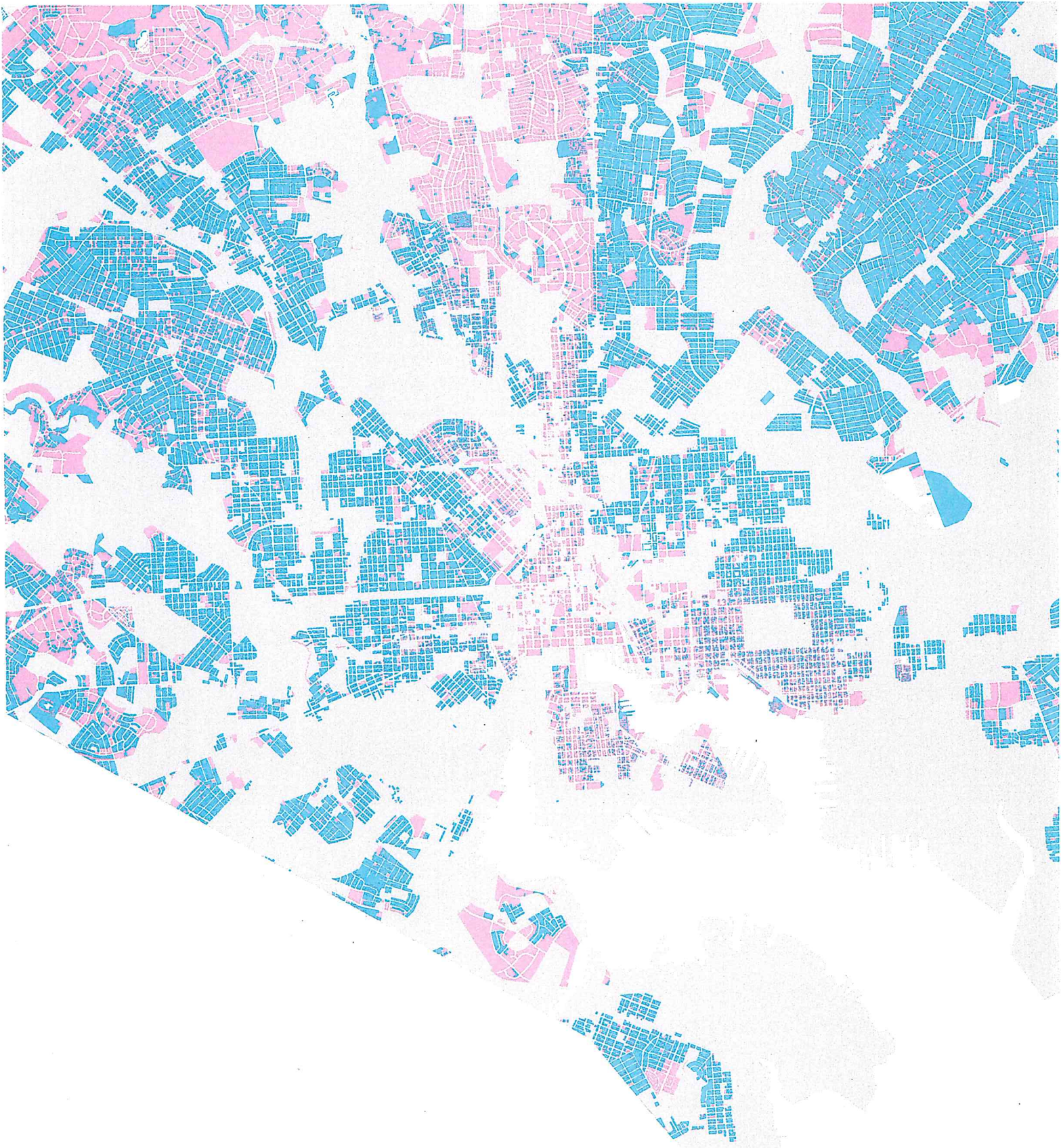


City of Baltimore

Newly Constructed Tax Credits by Neighborhood

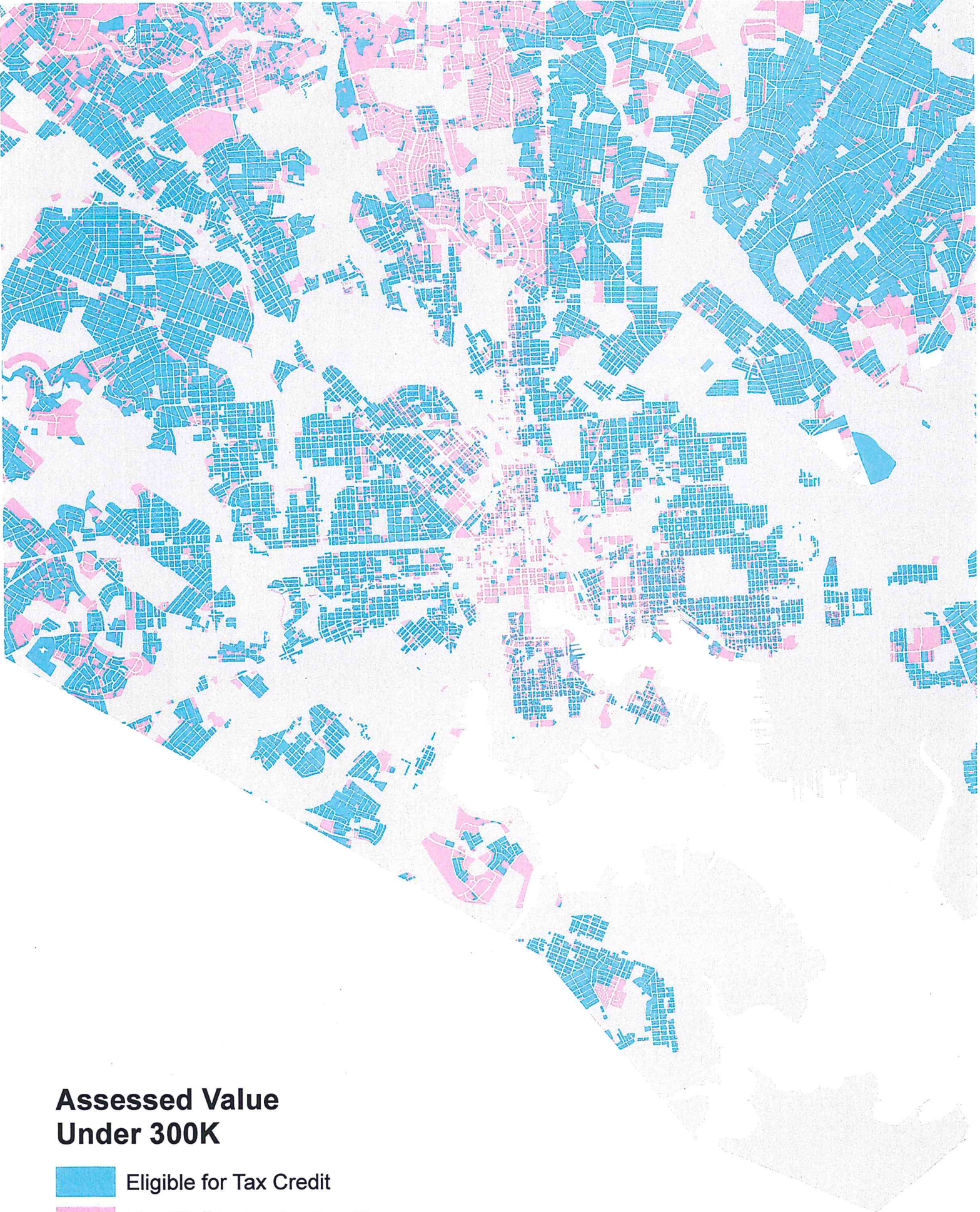
FY 2019 YTD





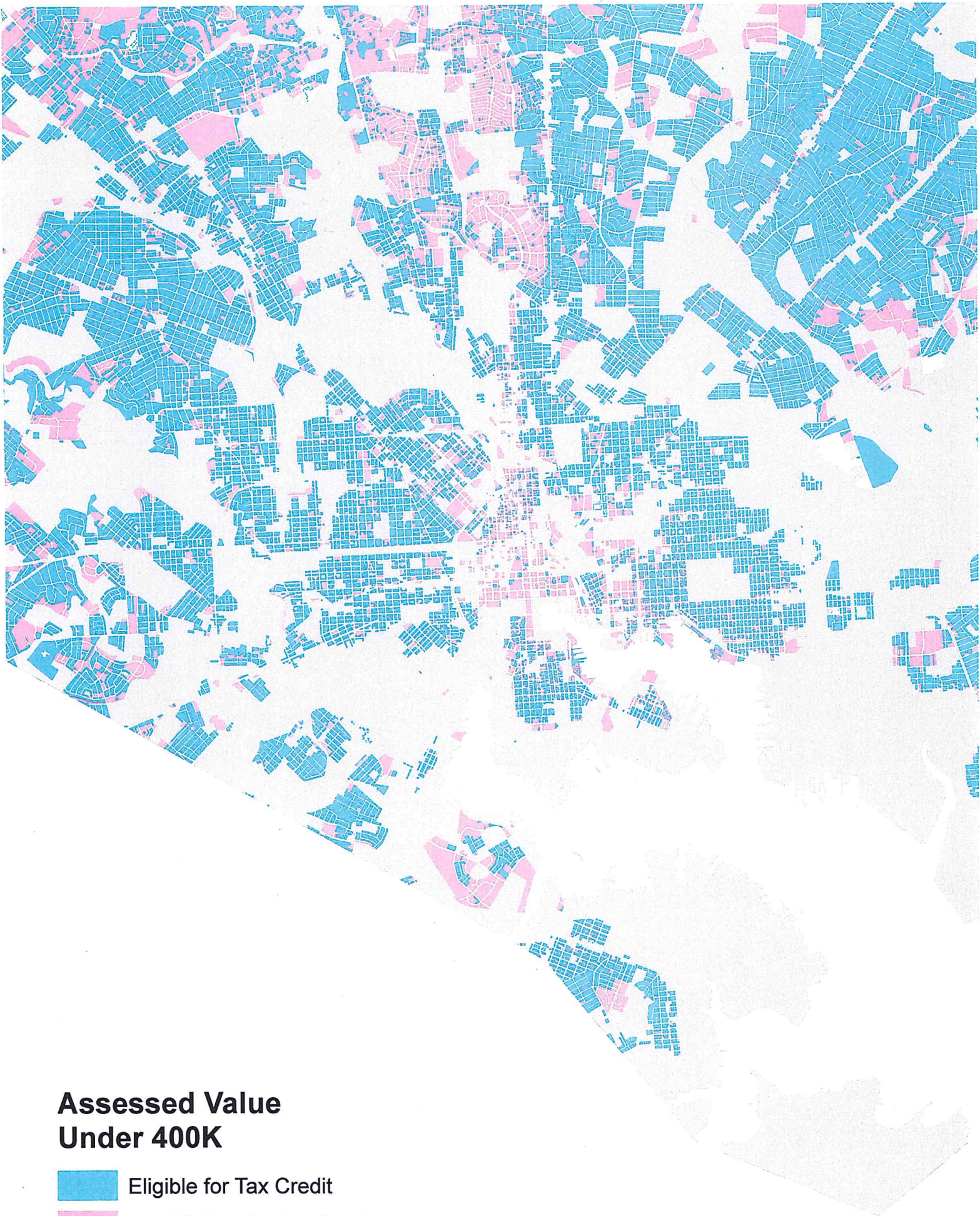
Assessed Value Under 200K

- Eligible for Tax Credit
- Not Eligible for Tax Credit





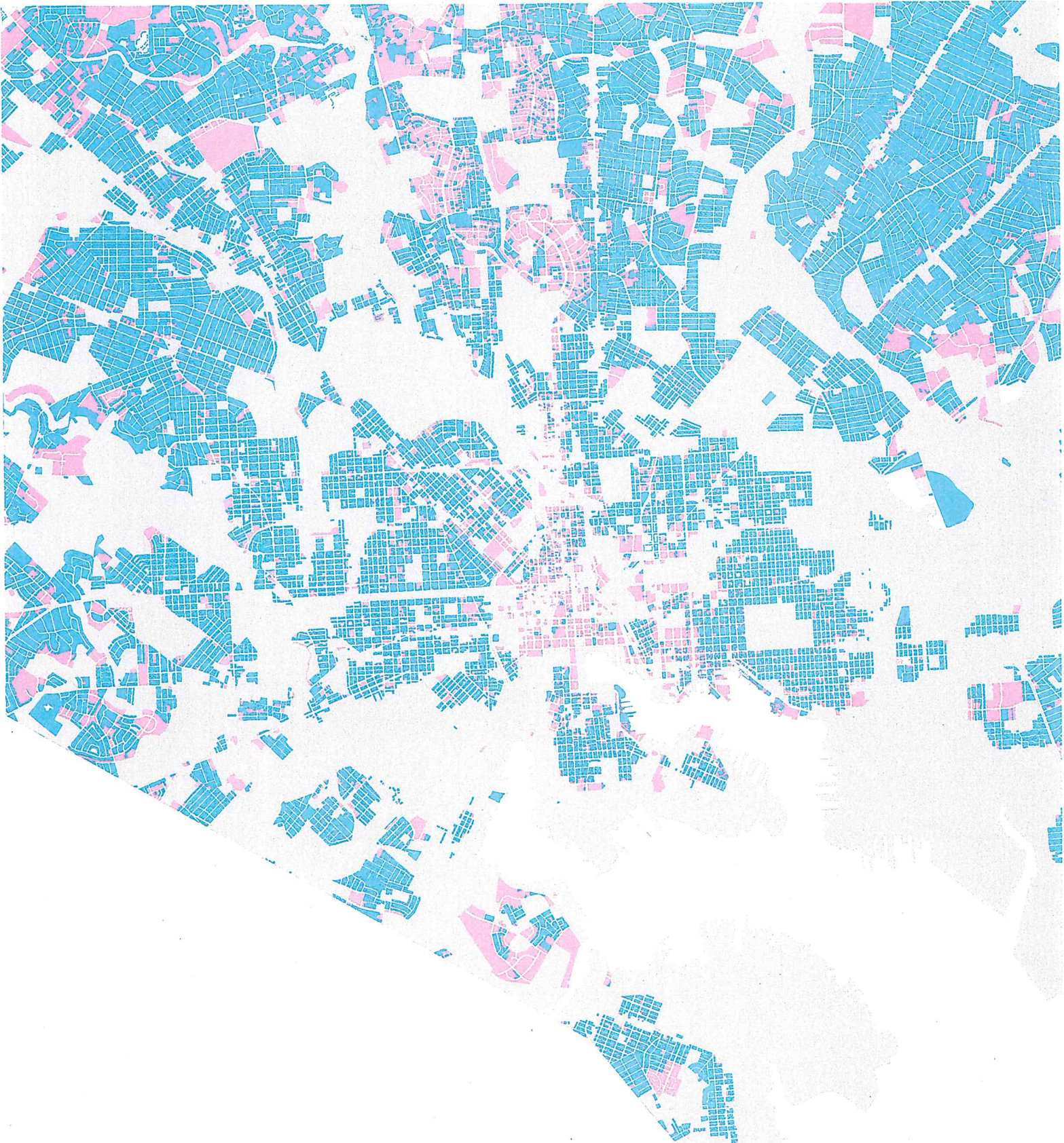
Assessed Value Under 300K

- Eligible for Tax Credit
- Not Eligible for Tax Credit





**Assessed Value
Under 400K**

-  Eligible for Tax Credit
-  Not Eligible for Tax Credit



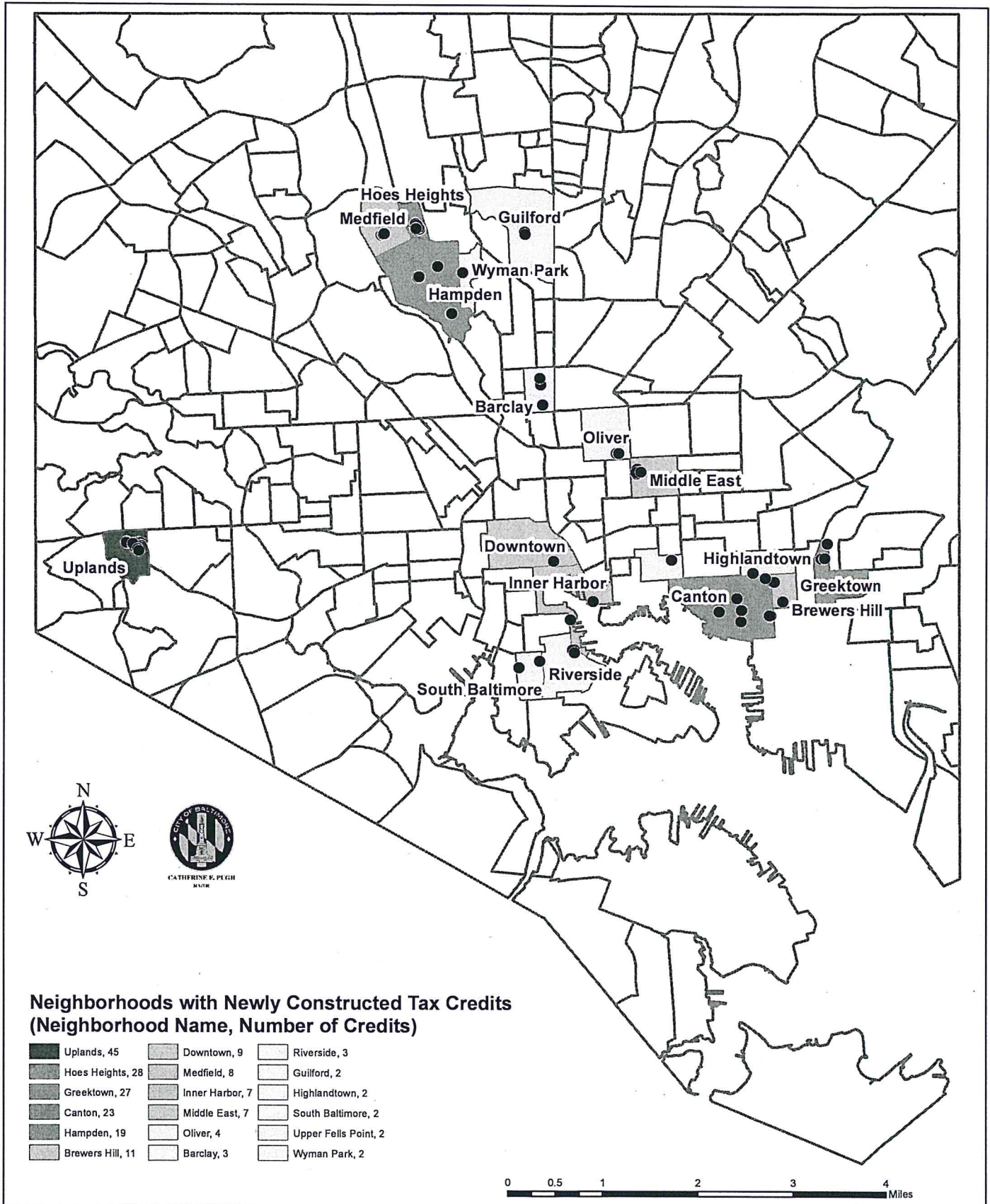
**Assessed Value
Under 500K**

-  Eligible for Tax Credit
-  Not Eligible for Tax Credit

City of Baltimore

Newly Constructed Tax Credits by Neighborhood

FY 2019 YTD



Session 2020 - Hayes SB 63 Testimony

Uploaded by: Hayes, Antonio

Position: FAV

January 15, 2020

**Testimony of Senator Antonio Hayes in Support of SB 63: Baltimore
City - Property Tax Credit for Newly Constructed Dwellings -
Reauthorization and Modification**

Dear Chairman Guzzone and Members of the Budget and Taxation Committee,

The five-year property tax credit for Newly Constructed Dwellings (50% in the first taxable year and declining by 10 percentage points thereafter) serves to encourage the construction and purchase of new homes in Baltimore City. It has been granted to over 5,000 homeowners since its enactment in 1996 but expired last year, and is currently operating through city legislation that temporarily extended it during this gap period. Therefore, reauthorization is overdue for this legislation that allows the Mayor and City Council of Baltimore City to grant these tax credits for newly constructed and rehabilitated dwellings.

Current tax credit benefits are clustered in only a few neighborhoods and appear to benefit well-off buyers at the expense of their less financially stable counterparts who are less likely to move into newly constructed houses. The city and state has successfully through Project CORE eliminated blight and created additional opportunities to construct new dwellings.

By capping the eligible assessed or re-sale value at \$500,000 for the credit with amendment, **Senate Bill 63** reduces the financial burden that perspective homebuyers from lower socioeconomic status disproportionately face. This bill will provide incentive and opportunity for small developers to pursue projects in the city and allow for a more equitable market.

Both newly constructed and substantially rehabilitated dwellings are eligible for the tax credits. This legislation also eliminates the requirement for projects that have been substantially rehabbed to submit a copy of the Vacant Housing Notice from the Department. The elimination of that requirement allows for current homeowners residing in homes that need substantial rehabilitation to take advantage of the credit and profit from the flip of their own homes, when they may not otherwise have been financially able to do so absent a tax credit.

The property tax credit is an effective tool to foster reinvestment in our Baltimore neighborhoods, and I strongly urge its reauthorization. **Senate Bill 63** builds on the standing law to ensure that these credits for newly constructed dwellings, as well as gut rehabilitations, are being taken advantage of by those who truly need it. By altering the tax credit structure, this bill

will provide an incentive to current city residents to invest in their community and participate in a competitive real estate market that is on the rise.

I urge a favorable report on SB 63.

Respectfully,

Senator Antonio L. Hayes

40th Legislative District - MD

BNIA Written testimony for SB0063

Uploaded by: Iyer, Seema

Position: FAV

WRITTEN TESTIMONY

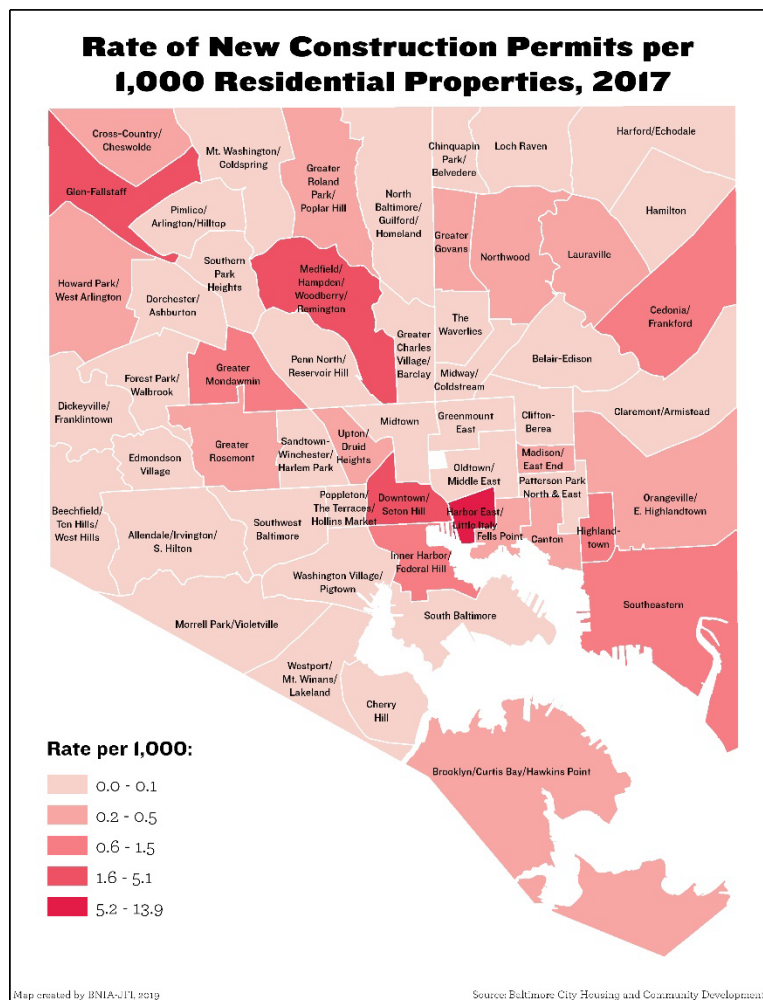
TO: SENATOR ANTONIO HAYES
FROM: SEEMA D. IYER, PHD, BALTIMORE NEIGHBORHOOD INDICATORS ALLIANCE
SUBJECT: SUPPORT FOR SB 0063 PROPERTY TAX CREDIT FOR NEWLY CONSTRUCTED DWELLINGS - REAUTHORIZATION AND MODIFICATION
DATE: JANUARY 15, 2020
CC: SUSAN TABOR, UNIVERSITY OF BALTIMORE

As director of the Baltimore Neighborhood Indicators Alliance, we annually report the rate of new construction in neighborhoods throughout Baltimore. In 2017, the communities with the highest rate of new construction permits occurred in Harbor East/Little Italy (16.9 per 1,000 homes), Glen-Fallstaff (5.1 per 1,000 homes), and Medfield/ Hampden/Woodberry/ Remington (3.4 per 1,000 homes). Thirty-two CSAs experienced no new construction permits in 2017 (see figure below).

We are hopeful that the reauthorization and modification as conceived in SB0063 will help incentivize new construction and significant rehabilitation in areas beyond just a few parts of the city.

The approach to focus the New Construction Tax Credit to more moderately priced housing would help spur investment in “middle-market” neighborhoods. Middle neighborhoods are generally stable areas that are in danger of falling into decline with the current market forces.

Importantly, SB0063 as written does not prevent the credit from being anywhere in the city, but does promote use towards more equitable outcomes. We hope the bill will be favorably reviewed by the Assembly.



Senate Bill 63 Testimony_Bree Jones

Uploaded by: Jones, Bree

Position: FAV

Testimony of

Bree Jones
Founder, Parity

Before the
Maryland State Senate Budget and Taxation Committee
Bill Hearings

on
Senate Bill 63

SUPPORT
January 15, 2020

Thank you, Mr. Chairperson and members of the Committee for providing the opportunity to submit written testimony in support of Senate Bill 63.

I am the founder of Parity, which is an equitable development company that acquires and rehabilitates abandoned properties by the block to create affordable home ownership opportunities. Parity operates through an equity lens, which means that we prioritize development without displacement, and we go the extra mile to ensure that existing residents are the primary beneficiaries of reinvestment. We also focus on using home ownership as a tool for building multigenerational wealth. We are currently mobilizing financial resources, but most important – people power – on our pilot multi-block project in a single neighborhood in West Baltimore, Legislative District 40, to spark transformative revitalization.

West Baltimore is rich in housing stock that is architecturally beautiful and historically relevant. However, much of this housing stock has fallen under disrepair due to decades-long neglect, prompted by racially-discriminatory policies like redlining. This makes development in historic West Baltimore notoriously difficult because of the size and deterioration of the housing stock, coupled with a handicapped market valuation. For Parity in particular, buildings in our development footprint require total rehabilitation including new roofs, floor joists, masonry, framing, and MEPs (mechanical, electrical, and plumbing systems).

Developers like myself, have to be very creative in our capital stack and employ every tool in the toolkit in order to make these projects financially and socially feasible. Tax credits like the Newly Constructed Dwellings credit, are one of those tools. This credit makes home ownership more attainable by reducing the tax burden on homeowners of newly constructed and substantially rehabilitated housing. I am looking forward to witnessing the ways in which the Newly Constructed Dwellings credit is utilized to spur equitable revitalization in some of Baltimore's most distressed areas.

Thank you for the opportunity to present,

Bree Jones



Founder, Parity
bree@parityhomes.com
914-484-3130

PARITY

CDN FAV SB 63

Uploaded by: WILSON RANDALL, CLAUDIA

Position: FAV



Testimony Concerning SB 63
Baltimore City - Property Tax Credit for Newly Constructed Dwellings
Reauthorization and Modification
January 15, 2020

Position: Support

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all neighborhoods are thriving and where people of all incomes have abundant opportunities for themselves and their families.

The purpose of Senate Bill 63 is to reauthorize the Mayor and City Council of Baltimore City to grant by law, a certain property tax credit against the property tax imposed on certain newly constructed dwellings in Baltimore City. The High-Performance Newly Constructed Dwellings Property Tax Credit encourages the construction and purchase of new homes in Baltimore City. The program provides a 5-year property tax credit with the credit amount decreasing annually.

The city of Baltimore urgently needs new construction in order to transform and invigorate long stagnant markets throughout the city. In the last three years, Project Core and other investments have cleared land for significant investments. There is space for new customizable homes for city residents. The tax credit is a benefit that small and large developers can pass along to city residents.

In order to increase home ownership in the city of Baltimore and remain competitive with other regional jurisdictions, the city must have a variety of homeownership products. There is an urgent need for new housing production and substantially rehabilitated homes are needed. The Newly Constructed Dwellings Property Tax Credit has incentivized builders and buyers. While many incentives have been designed for developers and investors, the tax credit program benefits the resident of the property directly.

We urge your support to continue this program in Baltimore City to increase production and purchase of new homes throughout the city.

AngelicaBailey_FWA_SB63

Uploaded by: Bailey, Angelica

Position: FWA



11825 West Market Place | Fulton, MD 20759 | 301-776-6242

January 15, 2020

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
Senate Office Building, 3 West
11 Bladen Street
Annapolis, MD 21401

RE: Support of Senate Bill 63 (Baltimore City - Property Tax Credit for Newly Constructed Dwellings - Reauthorization and Modification) with Amendments

Dear Chairman Guzzone:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, supports Senate Bill 63 (Baltimore City - Property Tax Credit for Newly Constructed Dwellings - Reauthorization and Modification) with amendments.

The purpose of this bill is to reauthorize the Newly Constructed Dwelling Tax Credit in Baltimore City, an existing credit that was first passed by the General Assembly in 2009. The tax credit requires state re-authorization every 5 years. Without this credit to offset the City's high property taxes, many homebuyers would purchase a home in a competing jurisdiction instead of the City. This crucial credit has a successful history of enticing potential new residents to invest in homes in Baltimore City instead. Passing state-enabling legislation that would allow this credit to continue is crucial.

However, this bill as currently drafted limits the City's authority to properties that have an assessed value of \$500,000 or less. We do not understand the basis for this seemingly arbitrary limitation, or for any limitation at all. The existing law has no such limitation. New construction (and the residents who occupy it) should be encouraged, regardless of value. Further, the arbitrary cutoff as drafted means that a property assessed at \$500,000 is eligible, but a property assessed at \$500,001 is not, while the taxpayer has no control over that assessed value and its potential eligibility.

If a limitation on eligibility is to be considered, it should be debated and determined locally. The City should seek and the State should provide the broadest possible City authority and flexibility. This will facilitate local decision-making and more nimble legislation. We propose eliminating the \$500,000 cap. Instead, the authorizing law in Sec. 9-304(d) should be amended simply to extend its expiration date, as discussed among City-based stakeholders last year.

MBIA respectfully requests the Committee adopt this amendment and then give this measure a favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Senate Budget and Taxation Committee Members

MBIA - Proposed Amendment to Senate Bill 63
January 15, 2020

The purpose of this amendment is to remove “with an assessed value of \$500,000 or less” from the definition of “eligible dwelling,” thereby allowing newly constructed dwellings and substantially rehabilitated dwellings to be eligible for the tax credit regardless of assessed value.

(II) “ELIGIBLE DWELLING” MEANS RESIDENTIAL REAL PROPERTY ~~WITH AN ASSESSED VALUE OF \$500,000 OR LESS~~ THAT IS:

1. A NEWLY CONSTRUCTED DWELLING; OR
2. A SUBSTANTIALLY REHABILITATED DWELLING.

SB63 City of Baltimore_Nicholas Blendy_FWA

Uploaded by: Blendy, Nicholas

Position: FWA



BERNARD C. "JACK" YOUNG
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

SB 63

January 15, 2020

TO: Members of the Senate Budget and Taxation Committee

FROM: Nicholas Blendy, Deputy Director of Government Relations

RE: SENATE BILL 63 – Baltimore City - Property Tax Credit for Newly Constructed Dwellings - Reauthorization and Modification

POSITION: SUPPORT WITH AMENDMENT

Chair Guzzone, Vice Chair Rosapepe, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports with amendment** Senate Bill (SB) 63.

SB 63 reauthorizes Baltimore City to grant a property tax credit for specified newly constructed dwellings and substantially rehabilitated dwellings by extending the termination date of the property tax credit from June 30, 2019, to June 30, 2025. It also caps eligibility at \$500,000 of assessed value for the property tax credit and takes effect June 1, 2020, and applies to taxable years beginning after June 30, 2020.

Some version of the enabling legislation for this tax credit has been authorized by the General Assembly at the BCA's request since 1994. The most recent version of this tax credit expired after failing to be reauthorized during the 2019 General Assembly session. Upon ascending to the Office of Mayor, current Mayor Bernard C. "Jack" Young has expressed public support for the reauthorization of this tax credit, and signed Ordinance 19-290 into law in August of 2019, which provides for a short-term stop gap to continue authorizing a version of a similar property tax credit, set to expire in 2021.

SB 63, if enacted, would enable the Mayor and City Council of Baltimore to do several important things in this field. First, and most obviously, it reauthorizes the existence of this tax credit. It cannot be stated more directly than without enactment of

*Annapolis – phone: 410.269.0207 • fax: 410.269.6785
Baltimore – phone: 410.396.3497 • fax: 410.396.5136
<https://mogr.baltimorecity.gov/>*

some version of this legislation, the Mayor and City Council simply lack the authority to determine the scope and substance of a newly constructed tax credit at the local level.

Second, SB 63 adds an authorized category of properties defined as “substantially rehabilitated dwellings” to the existing qualifying properties. This is an important addition that will add to eligibility residential property in neighborhoods with a housing stock that is currently improved, still fit for human habitation, but very much reaching the end of their current habitable life. Put simply, these would be houses that are at the risk of becoming vacant buildings and the inclusion of this category authorizes the Mayor and City Council to try to target this property tax credit to prevent vacant buildings before they become vacant.

Third, SB 63 proposes a cap on the eligible properties at \$500,000 in assessed value, meaning that any properties with an assessed value over that amount would be barred from accessing this property by state law. While this is certainly a limitation imposed upon the decision-making power of the Mayor and City Council’s authority to make a local determination, the BCA notes that it currently lacks any and all authority to make any determination to award this property tax credit at the local level, because it was allowed to expire during the tenure of the previous mayoral administration.

Lastly, Mayor Bernard C. “Jack” Young has stated publicly¹ that he supports “...getting developments into neighborhoods that haven’t seen developments in decades and making sure we have opportunities for those who feel that they’re left out.” The bill as introduced by the bill sponsor is consistent with the Mayor’s public pronouncements and the BCA supports SB 63 granting the local government the authority to reauthorize this credit at the local level; the BCA notes only that there are a few operational amendments that the BCA has worked with the bill sponsor to draft for adoption.

SUGGESTED AMENDMENTS:

The BCA **supports the amendments offered by the bill sponsor** and notes that it worked in conjunction with the bill sponsor to have them drafted and that they are designed to make the operation and implementation of the tax credit at the local level as clear and defined as possible.

We respectfully request a **favorable with amendment** report on Senate Bill 63.

¹ See, Vic Carter, “Here Are Baltimore Mayor Jack Young’s New Year’s Resolutions For City.” (Dec. 31, 2019), available at <https://baltimore.cbslocal.com/2019/12/31/jack-young-baltimore-2020-resolutions-new-years-eve/> (Last accessed January 14, 2020).