



February 27, 2020

The Honorable Anne R. Kaiser, Chair
Ways and Means Committee
House Office Building, Room 131
Annapolis, MD 21401

Support – HB 1042 - Baltimore City – Property Tax Credit for Newly Constructed Dwellings

Dear, Delegate Kaiser and Committee Members:

The NAIOP Maryland Chapters represent more than 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. HB 1042 reestablishes the Baltimore City tax credit authority for new residential construction and major renovations. For 23-years the tax credit has encouraged new investment and homeownership in Baltimore. The credit was inadvertently allowed to expire in 2019.

The tax credit has a history of stimulating new construction and renovation of existing buildings. Its value as a vital component of development in the financial feasibility of new construction should not be discounted.

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 2021 recommendations, the Board of Revenue Estimates notes an increase in higher income households in the City. 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. These co-benefits are often not included in traditional analysis.

Prior to the pandemic, the City’s taxable income base had strengthened considerably over the last decade. Recent data from the annual State’s Income Tax Summary reports show the number of high-income households, defined as those earning above \$100,000, has increased by 59.0% during the period of 2010 to 2018, making up 14.0% of all taxable returns.

***Board of Revenue Estimates
Recommendations. Fiscal 2021, p. 35***

City surveys that help to analyze the tax credit indicate the percentage of tax credit recipients who were also looking at housing options outside of the City increased more than 14%.

For these reasons NAIOP respectfully recommends your favorable report on HB 1042.

Sincerely,

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

cc: House Ways and Means Committee Members
Nick Manis – Manis, Canning Assoc.

