



Bernard C. "Jack" Young  
Mayor

**COMMISSION FOR  
HISTORICAL & ARCHITECTURAL  
PRESERVATION**

*Tom Liebel, Chairman*

**STAFF REPORT**



*Chris Ryer  
Director*

**August 11, 2020**

**REQUEST:** Review and Response to City Council 20-0552: Tax Credits – Historic Properties – Repealing and Reordaining, with Amendments

**RECOMMENDATION:** Submit a report recommending approval to the City Council.

**STAFF:** Stacy Montgomery

**PETITIONER(S):** The City Council President and Councilman Bullock, at the Request of the Administration (The Commission for Historical and Architectural Preservation)

**OVERVIEW**

Baltimore City's Historic Tax Credit Program was established by ordinance in 1996. The credit has fostered the rehabilitation of historic structures, both residential and commercial, throughout Baltimore City. Over \$1.2 billion has been invested in the City's historic properties through the Historic Tax Credit since 1997. To date, over 5,000 applications have been approved and more than 3,500 projects have been completed. The substantial investment in historic buildings supports the economy of Baltimore and enhances the appearance of our neighborhoods. The 10-year credit is granted on the increased property value, directly resulting from qualifying rehabilitation work. All work must be pre-approved and meet CHAP's Design Guidelines.

The Historic Tax Credit is available to contributing properties in Baltimore City and National Register Historic Districts and Baltimore City Landmarks and buildings individually listed on the National Register of Historic Places. This amounts to nearly 90,000 properties in Baltimore City.

In 2019, the Department of Planning hired PlaceEconomics, a consulting firm specializing in the economics of historic preservation, to analyze the historic tax credit. The report provided a great deal of useful data about the program, and presented the following key findings:

1. More than 3,500 historic properties have been renovated using the CHAP credit, representing private sector investment of nearly \$1.2 billion.
2. The credit produces value. The properties whose CHAP credits have now expired increased in value from \$17 million in 2000 to \$211 million in 2019. Income from city property taxes on these properties rose from \$1.3 million to \$5.9 million.
3. In the next nine years, the City can expect \$43 million in additional tax revenues from properties with expiring CHAP credits.

4. Because of the private investment and increasing property values, the taxes foregone over ten years are recouped in just over seven years.
5. The City of Baltimore is foregoing around \$10 million a year through the CHAP credit. However, very conservatively, if even 52% of the projects would not have happened without the credit, the city is better off financially than if there were no credit.
6. These projects have a “halo effect.” Properties located within 500 feet of CHAP credit projects see increases in aggregate property values greater than properties between 500 and 1000 feet of CHAP projects, and significantly greater than the rest of the city.
7. Critical mass matters. In general, the greater the percentage of properties that are eligible for the credit, the greater share of them will use the credit. The program is also responsible for bringing private investment to Baltimore’s weaker market neighborhoods.
8. Just the incremental rate of higher value growth in the halo vicinity of CHAP projects has created a preservation premium of \$2.5 billion in property values. If as little as 20% of that premium is attributable to the investment in CHAP projects, the \$10 million in foregone revenues from the credit is recovered from the additional taxes generated from nearby properties.
9. The program creates jobs. Over the last five years an average of nearly 600 direct and indirect jobs and \$36 million in labor income have been generated each year through CHAP credit projects.
10. During the Great Recession, investment in CHAP projects was counter-cyclical, increasing in activity when the rest of the construction activity in Baltimore declined.

The final draft of the report has been included in the supplementary materials to the staff report.

## **BACKGROUND**

- CHAP was instrumental in the creation of the City’s Historic Tax Credit in 1996 and all subsequent renewals.
- CHAP staff conducts design review for tax credit projects and administers the program in conjunction with the City’s Department of Finance (which creates the Rules & Regulations for the credit and calculates and applies the credit to the tax bill).
- CHAP approved the previous renewal of the legislation in 2016, with a sunset date of February 28<sup>th</sup>, 2021.
- In July of 2019, CHAP retained the services of PlaceEconomics, a consulting firm that specializes in the economic impacts of historic preservation, to conduct a study of the historic tax credit program.
- In October of 2019, the Historic Tax Credit Advisory Committee was formed to guide the renewal process and the consultant study of the tax credit. The committee was made up of developers and consultants who frequently use the tax credit, representatives from The Baltimore Development Workgroup, Live Baltimore, the Small Developers Collective, the Baltimore Development Corporation, Baltimore Heritage, AIA Baltimore, and staff of the Departments of Planning, Housing and Community Development, and Finance, including the Planning Director and Budget Director. The committee met six times from November to May and discussed program goals, the existing legislation, the existing rules and regulations, the larger city budget, addressing

equity, use by homeowners, a concurrent study of all city tax credits, and the Middle Neighborhoods study. In February of 2020, the committee was considering robust changes to the program that would make it more widely available within the City.

- In March and April of 2020, CHAP, Planning, and Department of Finance staff met (virtually) to discuss the impact which the economic downturn resulting from COVID-19 would have on the changes under consideration. After lengthy study and consultation, the team agreed to a one-year renewal of the existing legislation in order to assess what long-term impact COVID-19 would have on the City's budget.
- The amendments to the current legislation and extension were developed by the CHAP Staff and Executive Director, the Director of Planning, and the Department of Finance, in consultation with the Administration and Legislative Reference.
- The bill has been referred to CHAP for comment.
- This item will be presented at the Planning Commission hearing on August 20<sup>th</sup>, 2020.

### **PROPOSAL**

Bill 20-0552 Tax Credits – Historic Properties has been introduced for the purpose of extending the period within which applications may be accepted for an historic improvement tax credit; granting the Director of Planning certain administrative powers; and providing for a special effective date.

The proposed legislation would extend the deadline for submission of new applications for the Historic Tax Credit one year, from February 28, 2021 to February 28, 2022.

The legislation also adds the Director of Planning to section (k) Administration, allowing the Director of Finance and the Director of Planning to:

- (1) adopt rules and regulations to carry out this section;
- (2) settle any disputed claims that may arise in connection with the credit authorized;

and

- (3) delegate his or her powers

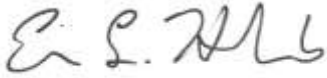
### **ANALYSIS**

The proposed legislation would extend the deadline to accept new applications to February 28, 2022, providing a one-year extension of the program. This will provide a year to gain a better understanding of the fiscal impact of COVID-19 on the City's budget and to determine what changes would be most appropriate.

The proposed legislation would also include the Director of Planning in important administrative duties, which are currently only overseen by the Director of Finance. The change would allow the Director of Planning to be a part of the adoption of program Rules and Regulations, be involved in disputed claims, and delegate his powers. The Law Department has suggested that the current legislation be amended to include the word “jointly” (The Finance

Director AND THE DIRECTOR OF PLANNING may *JOINTLY*...). This would prevent the two directors from making separate and potentially contradictory decisions.

**Staff recommends submitting a report recommending approval of the bill and accepting the language change by the Law Department to the City Council.**



**Eric Holcomb**  
**Director**

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