

RULES AND REGULATIONS
BROWNFIELDS PROPERTY TAX CREDIT

1.0 - Background

These rules and regulations are issued pursuant to the authority granted the Director of Finance by Baltimore City Ordinance No. 98-248, effective April 16, 1998, providing for a real property tax credit for qualified Brownfields sites that complete a voluntary cleanup or corrective action plan.

2.0 - Eligibility

2.1 Eligible properties must be:

- Designated by the Maryland Department of Business and Economic Development (DBED) as a "qualified Brownfields site" eligible for the Brownfields Revitalization Incentive program.
- Issued a letter from Maryland Department of the Environment, indicating that no further cleanup will be required. This letter may be issued under the Maryland Voluntary Cleanup Program or under the Maryland Oil Control Program.

2.2 Continuing eligibility.

To continue to receive the credit, the following requirements must be met:

- If the recipient received a certificate of completion under Maryland's voluntary cleanup program, the recipient must maintain approval of a response action plan and a certificate of completion under Section 7-512 and 7-513 of the Environment Article of the Annotated Code of Maryland.
- The recipient must maintain all City taxes, water, sewer, and other charges and assessments due to the City on a current basis.

2.3 Information requirement.

The Department of Finance reserves the right to request additional information to determine eligibility.

3.0 - Applications

3.1 For all applicants.

- Tax credit application and supporting documentation must be filed with the Department of Planning in the first taxable year in which a property qualifies for the tax credit. Failure to apply in the first qualifying taxable year will result in the loss of the credit for that period.

- At the time of application, applicants must provide a copy of a letter from Maryland Department of the Environment, indicating that no further cleanup will be required. This letter may be issued under the Maryland Voluntary Cleanup Program or under the Maryland Oil Control Program.
- At the time of application, applicants must provide copies of all building permits issued for work done as part of a voluntary cleanup program.
- At the time of application, applicants must sign a statement that all taxes, water, sewer, and other charges and assessments due to the City are current.
- Applicants must provide any other information/documentation deemed necessary.

3.2 For applicants seeking the additional 20% credit.

At the time of application, applicants must provide a statement showing that the site's purchase price and costs of completing the requirements of a voluntary cleanup or corrective action plan equal or exceed \$250,000.

3.3 For applicants in a State-designated Enterprise Zone seeking a 10-year credit term.

At the time of application, applicants must provide certification from the Baltimore Development Corporation (BDC) showing that the property is located in a State-designated Enterprise Zone areas.

4.0 - Term and Commencement of Credit

- For sites located in a State-designated Enterprise Zone areas, the credit is for a 10-year period. For all other sites, the credit is for a 5-year period.
- The credit period commences after the first revaluation of the Brownfields site by the State Department of Assessments and Taxation (SDAT) after completion of a voluntary cleanup or corrective action plan. The credit will first be applied to a tax bill generated after SDAT has issued a revised assessment notice, on a part or full year basis.

5.0 - Calculation of Amount of Credit

- The credit is applied to City and State real property taxes only.
- The credit shall equal a percentage of the increased City real property tax liability after first applying all other property tax credits applicable to the site. The general credit is as follows:

Years 1 through 5 50%

For projects where the documented costs of the site's purchase and voluntary cleanup or corrective action plan efforts equal or exceed \$250,000, the credit is as follows:

Years 1 through 5 70%

- The first year's tax credit will reflect a part year tax bill unless the voluntary cleanup or corrective action plan and improvements added to the site are first assessed after April 1 of a given year and added to the tax roll by July 1 for a full year.
- No credit applicant may receive any combination of credits which reduces tax liability below the taxes due on the fully phased-in value of the property prior to the voluntary cleanup or corrective action plan.

6.0 - Transferability of Credit

The credit is transferable to a subsequent owner. Once a credit is granted, it will automatically transfer to a subsequent owner for the remaining term of the credit, provided that a new owner meets the "continuing eligibility" requirements outlined in Section 2.2.

7.0 - Advanced Determination of Eligibility

An applicant may ask for a determination of eligibility prior to receiving the final determination from Maryland Department of the Environment that no further cleanup is required. Other application requirements remain the same. The Department of Planning, responding to such a request, may issue a letter that indicates eligibility, conditioned upon completion of the required cleanup.

These rules and regulations are effective this day of November 1, 1999 and have been filed with the City of Baltimore Department of Legislative Reference.

Issued and Approved:

W. R. Brown, Jr.
 William R. Brown, Jr., Director
 Department of Finance

Nov 1, 1999
 Date

Brownfield Property Tax Credit

Program Purpose and Description

This program was designed to encourage the re-development of contaminated abandoned and/or under-utilized industrial/commercial sites. This program offers a city property tax credit (for both real and personal property taxes) on the increased property taxes after eligible improvements* are made (improved value).

This credit applies in each of the taxable years immediately following the first reassessment of the site after completion of the eligible improvements. The credit equals 50% of the site's increased property assessment after improvements are completed over the assessment before the improvements, except for projects that spend more than \$250,000 in eligible work,¹ in which case it is 70%. In the event of a change in ownership of the property, the credit is transferable as long as the property remains qualified for the credit.

Please Note: For sites located in State-designated Enterprise Zone areas, the credit is for a 10-year period with the Enterprise Zone credit calculated first and the Brownfield Credit only applicable to the improved value not covered by the Enterprise Zone credit (for example, in the first five years, the Brownfield Credit only applies to 20% of the improved value as 80% is applied to the Enterprise Zone credit). For all other sites outside of an Enterprise Zone, the credit is for a 5-year period.

Eligibility:

- The site must be in the Maryland Voluntary Cleanup Program (VCP) or the Maryland Oil Control Program and there must be a letter from the Maryland Department of the Environment indicating no further action is needed;
- The site must be designated as a "Qualified Brownfields Site" by the Maryland Department of Business and Economic Development. Note that site owners who do not meet Maryland's definition of an "Inculpable Person" are not eligible.

Termination

If the credit recipient withdraws from the voluntary cleanup program or the Department of the Environment withdraws approval of a response action plan or a certificate of completion, the tax credit granted will be terminated.

Application Process:

Please visit http://www.baltimoredevelopment.com/initiatives_brownfields.asp for further information or contact those parties listed below.

Legal Reference

- State enabling legislation - Annotated Code of Maryland, Tax Property Article, Section 9-229 (Chapters 1 and 2, 1997 Session).
- Baltimore City Code, Article 28-Taxes, Section 10-10 (Ordinance No. 98-248, effective April 16, 1998).

¹ Eligibility for the 70% credit is dependent on an investment of at least \$250,000 in the site's purchase and voluntary cleanup or corrective action plan.

Contacts:

Evans Paull, Director
 Brownfields Initiative
 Baltimore Development Corporation
 410-837-9305
epaull@baltimoredevelopment.com

Examples:

Less than \$250,000 in Improvements and Not within State-Designated Enterprise Zone

	Assessment Before Improvement	Assessment After Improvement	Improvement Value	Amount Eligible for Credit	City Tax Rate *	Credit Amount
Column	(1)	(2)	(3)	(4)	(5)	(6)
Calculation			(2) - (1)	(3) * 50%		(4) * (5)
Year 1	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 2	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 3	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 4	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 5	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00

* Assumes no tax rate change during the five year credit period.

Greater than \$250,000 in Improvements Within a State-Designated Enterprise Zone, Not Focus Zone

	Assessment Before Improvement	Assessment After Improvement	Improvement Value	EZ Credit % Calculated First	Amount Eligible for EZ Credit	City Tax Rate *	Credit Amount for EZ	Amount Eligible for Brownfield Credit	Credit Amount for Brownfield Credit
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)	((3) - (5)) * 70%	(8) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 2	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 3	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 4	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 5	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.20	\$42,000	\$960.96
Year 6	\$500,000	\$800,000	\$300,000	70%	\$210,000	2.288	\$4,804.80	\$63,000	\$1,441.44
Year 7	\$500,000	\$800,000	\$300,000	60%	\$180,000	2.288	\$4,118.40	\$84,000	\$1,921.92
Year 8	\$500,000	\$800,000	\$300,000	50%	\$150,000	2.288	\$3,432.00	\$105,000	\$2,402.40
Year 9	\$500,000	\$800,000	\$300,000	40%	\$120,000	2.288	\$2,745.60	\$126,000	\$2,882.88
Year 10	\$500,000	\$800,000	\$300,000	30%	\$90,000	2.288	\$2,059.20	\$147,000	\$3,363.36

* Assumes no tax rate change during the five year credit period.

Greater than \$250,000 in Improvements Within a State-Designated Enterprise Zone AND Focus Zone

Column	Assessment Before Improvement (1)	Assessment After Improvement (2)	Improvement Value (3)	Enterprise Zone Credit % Calculated First (4)	Amount Eligible for EZ Credit (5)	City Tax Rate * (6)	Credit Amount for EZ (7)	Amount Eligible for Brownfield Credit (8)	Credit Amount for Brownfield Credit (9)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)	((3) - (5)) * 70%	(8) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 2	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 3	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 4	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 5	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 6	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 7	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 8	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 9	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 10	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96

* Assumes no tax rate change during the five year credit period.

Greater than \$250,000 in Improvements Within a State-Designated Enterprise Zone AND Focus Zone

Column	Assessment Before Improvement (1)	Assessment After Improvement (2)	Improvement Value (3)	Enterprise Zone Credit % Calculated First (4)	Amount Eligible for EZ Credit (5)	City Tax Rate * (6)	Credit Amount for EZ (7)	Amount Eligible for Brownfield Credit (8)	Credit Amount for Brownfield Credit (9)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)	((3) - (5)) * 70%	(8) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 2	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 3	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 4	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 5	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 6	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 7	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 8	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 9	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96
Year 10	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$5,491.20	\$42,000.00	960.96