RULES AND REGULATIONS - PROPERTY TAX CREDITS

HIGH-PERFORMANCE MARKET-RATE RENTAL HOUSING

ADOPTED UNDER THE AUTHORITY OF ARTICLE 28, SECTION 10-17
of the Baltimore City Code, as last amended by Ordinance 13-112
Approved April 11, 2013

1.0. Background

The City's High-Performance Market-Rate Rental Housing Property Tax Credit is found in Section 10-17 of Article 28 of the Baltimore City Code and was enacted in response to the passage of State legislation which created Subsection 9-242 of the State Tax-Property Article. Subsection 9-242 states that:

> "The Mayor and City Council of Baltimore City may grant, by law, a tax credit against the property tax imposed on a high performance building."

Both the state legislation and the City Council Bill were proposed and passed for the purpose of providing real property tax credits for certain newly constructed or converted high-performance market-rate rental housing projects in certain areas of the City.

2.0. The Credit

The Market-Rate Rental Housing Property Tax Credit provides a credit against the tax imposed on the increased value of real property due to improvements that were made to the property immediately before the occupancy permit was issued. This credit begins at 100% of the tax imposed on that value in the first year of eligibility and decreases per the schedule below for a total of fifteen years. The property no longer qualifies for a High-Performance Market-Rate Rental Housing Property Tax Credit in the fifteenth taxable year after the first year of eligibility, and every year thereafter, or sooner if continuing eligibility requirements are not met.

3.0. Eligibility

Who is Eligible?

Property owners qualify for the tax credit by constructing fifty (50) or more new, high-performance, market-rate rental housing units in compliance with the code and laws applied to dwellings.

What Properties are Eligible?

Properties must meet the following criteria:

(1) a newly constructed or converted building;
(2) located within the boundaries/areas specified in Article 28, Section 10-17, Subsection (e) of the Baltimore City Code, as attached to this document for informational purposes;
(3) contain more than 50 rental residential units;
(4) contain no units subject to governmental restrictions on the amount of rent charged or on the tenant's income level except under the Baltimore City Inclusionary Housing Program;
(5) construction or conversion costs exceed $60,000 per rental unit;
(6) a first occupancy permit following the construction or conversion is issued after January 1, 2013; and,
(7) achieve a minimum of LEED Silver certification or the Baltimore City Green Building Code Standard Two Green Star rating.

Permits and Certifications Required

All applications for the High-Performance Market-Rate Rental Housing Property Tax Credit must be accompanied by a copy of the occupancy permit issued for the property after construction/conversion was completed and copies of any building permits issued during the construction/conversion of the property.

When are Properties Eligible?

A property that meets the eligibility criteria becomes eligible for the credit after the first reassessment occurring after issuance of an occupancy permit for the completed project. The occupancy permit must be issued after January 1, 2013. Properties remain eligible for the credit, in amounts specified by the terms below, for a period of fifteen (15) years. Applications will not be accepted after December 31, 2017.

How much Credit is a Property Eligible for?

The amount of the High-Performance Market-Rate Rental Housing Property Tax Credit is based on the increase in the value of real property due to improvements that were made to the property immediately before the occupancy permit was issued, and cannot exceed this amount. The calculation of this increase in value is the responsibility of the Finance Department. Factors which will be considered are the assessment value at the time the project was begun, the assessment value assigned to the property by the first reassessment occurring after the occupancy permit is issued, and any interceding assessment values. This increase in value will be calculated at the time the use and occupancy permit is issued and will remain constant for the life of the credit. The actual credit applied to the real property tax bill for the property is equal to:

- 100% of this value in years 1 and 2;
- 80% of this value in years 3, 4, and 5;

- 70% of this value in year 6;
- 60% of this value in year 7;
- 50% of this value in years 8, 9, and 10;
- 40% of this value in year 11;
- 30% of this value in year 12; and
- 20% of this value in years 13, 14, and 15.

4.0. Applications

The application process is a three step process that begins prior to the start of construction and does not end until the property is reassessed following the issuance of a use and occupancy permit. Applications at all stages of the process should be submitted in a timely manner as noted on the application, must be in the format provided by the Department of Finance, and must be complete, including a signed statement that all taxes, water, sewer, and other charges and assessments due to the City are current and no delinquencies exist. No credit will be granted until all stages of the application have been completed, submitted to, and reviewed by the Department of Finance.

- Initial Application

Prior to the initiation of construction, the initial application should be completed, submitted to, and received by, the Department of Finance. This application shall contain estimates of both the date on which construction will commence and the date on which the project will be completed. This initial application will be supplemented by a notification of the initiation of construction that specifies the date when actual work on the property began. This supplemental notification should be sent to the Department of Finance no later than 30 days following the actual initiation of construction.
This initial application must also be accompanied by a statement of projected economic impact and public benefits for the project, as well as an estimate of the lease costs for the completed units, per type and square footage, upon completion of the project, and at one, three, five, and seven years intervals after the project's completion.

- Application upon Completion

Following the issuance of a permit for use and occupancy, the property owner should submit the second stage of the application, accompanied by a copy of the use and occupancy permit. This portion of the application process will also require the property owner to submit details regarding, and supporting documentation for, the actual cost of the improvements to the property. The property owner will also be required to explain any deviation greater than 6 months from the estimated completion date contained in the initial application.

- Final Application

As the property will not be eligible for the credit until such time as it is reassessed following the issuance of the use and occupancy permit, the property owner must submit to the Department of Finance a copy of the reassessment notice for the first reassessment occurring after the use and occupancy permit is issued. Upon submission of the

reassessment notice, the application will be considered closed and no future changes will be accepted. Accordingly, any changes to previously submitted information must be made concurrent with the submission of the reassessment notice.

- Transfer Application

The credit is transferable to subsequent owners throughout the life of the credit. However, the transferee must file a transfer application detailing the sale of the property and providing certain information on the current condition of the property, including the current vacancy rate. Additionally, the transferee is responsible for paying the transfer fee.

Where to Apply

Requests for applications, as well as completed applications and required documentation, should be sent to:

Baltimore City Department of Finance
Bureau of Budget and Management Research
Attn: Director of Revenue and Tax Analysis
100 N. Holliday Street
Baltimore, MD 21202

Application Fees

Applicable application fees must be paid to the Department of Finance prior to application and proof of payment must be attached to the application. The application fee is $500 for an initial application and $100 for a transfer application.

5.0. Transferability

The High-Performance Market-Rate Rental Housing Property Tax Credit is granted to the owner of the property starting with the first assessment after issuance of an occupancy permit for the completed project. The credit is transferable to subsequent owners for the remaining life of the credit. A new owner must file an application to continue the credit.

6.0 Continuing Eligibility

The property owner shall ensure that, during the credit period for the High-Performance Market-Rate Rental Housing Property Tax Credit, the property for which the credit was granted meets the following criteria:

- is in full compliance with the building, fire, and related codes of Baltimore City;
- maintains its high-performance rating, and;
- continues to be used for market-rate rental housing.

Three Year Report
Three years from the date a final application is accepted, the owner must submit statements of actual economic impact and public benefits for the project. Public benefit measures include neighborhood revitalization impact, job creation, tax generation, and minority and women-owned business development.

Findings of Ineligibility
If a property receiving the credit is found to no longer meet the continuing eligibility requirements of the credit, the credit will be removed from the property's account and may not be reinstated until the eligibility issue has been remedied and the property has been eligible for the credit for one full tax year following the finding of ineligibility.

7.0. Effect of Other Property Tax Credits

The High-Performance Market-Rate Rental Housing Property Tax Credit may not be used on a property for which any other tax subsidy from the City, whether in the form of a tax credit, payment in lieu of taxes (PILOT), tax incremental financing (TIF), or otherwise is being received or has been applied for. Notwithstanding this limitation, the property may receive Maryland State Enterprise Zone Tax Credits.

8.0 False Statements

Applicants found to have mistakenly included false statements on applications for the High-Performance Market-Rate Rental Housing Property Tax Credit will be subject to the correction of any erroneously awarded credit amount in the event that the credit granted exceeded the amount the applicant was actually entitled to.

Applicants found to have intentionally included false statements on applications for the High-Performance Market-Rate Rental Housing Property Tax Credit will be subject to the permanent deletion of the credit and will be liable for any credit amounts previously awarded.

These rules and regulations are effective this day of 7/12/13 and have been filed with the City of Baltimore Department of Legislative Reference.

Issued and Approved:

H Raymond for
Harry E. Black, Director
Department of Finance

7/12/13
Date

Avery Aisenstark, Director
Legislative Reference

7/12/13
Date

Victor Tervala
Victor Tervala, Assistant Solicitor
Law Department

7/12/13
Date