

New home tax credit: good for the city? Mayor, others argue the discount program helps lure buyers — even to booming neighborhoods

By Annie Linskey, *Baltimore Sun*, April 28, 2009

A property tax credit meant to lure new residents to Baltimore and spur development in impoverished neighborhoods instead rewards current city dwellers who inhabit booming parts of the city, according to a report issued by the city's Finance Department.

In the past nine months, 75 percent of the applications for the program, called the Newly Constructed Dwelling Tax Credit, came from 10 neighborhoods, according to the finance data. Forty percent of the credits went to households earning more than \$100,000 a year. And more than three-quarters of those who took the credit were only considering buying in Baltimore.

"The cost of the credit must be compared to other potential uses of public money," according to the report, which was issued as part of a budget proposal that cuts recreation centers, pool hours and police and fire overtime to make up a \$65 million shortfall. The credit cost \$3.6 million this year.

In previous years, the Finance Department has issued similar assessments of the tax credit, which discounts the property tax paid by those who purchase newly constructed or completely renovated homes. But this year, the issue has taken on greater significance because of the tight budget and the timing - the credit expires in June.

Bucking its own Finance Department, the Dixon administration supports reauthorizing and expanding the program. Mayor Sheila Dixon sought and received approval this year from the General Assembly to continue the credit, but the program must pass the City Council.

The mayor views the credit "as an important economic development tool to attract and retain residents," said City Hall spokesman Ian Brennan in an e-mail. The report from the Finance Department "represents one perspective," Brennan wrote.

Other proponents of the program argue that development in neighborhoods where the tax credit is used frequently, such as Canton and Locust Point, should not be seen in a vacuum, suggesting that such projects might not have been built without the tax incentive.

"I don't know if developers would have taken a chance," said Michael Yerman, a Baltimore Realtor for more than 25 years.

Yerman said that any property tax relief, even if it is limited and temporary, helps him and his team of real estate agents persuade people to move to Baltimore, which has the highest property tax rate in the state. "Let those people who wrote that report go out and try to sell houses," Yerman said.

He did not think it was important that the credit was concentrated in a few areas. "A lot of it has been the waterfront, but a lot of it has been all over town," Yerman said. "What difference does it make? Just getting a new condo built is a plus."

The credit allows people to phase in their property taxes over five years: In the first year, residents pay 50 percent of their property tax bill, and the percentage increases each year until they are paying the full amount. Since it was created in 1996, roughly 3,100 residents have successfully applied for the credit.

The Dixon administration wants to expand the program. Currently residents must apply for it 90 days after closing, but the program could be amended to widen that window.

City Councilman William H. Cole IV, who chairs the City Council committee that will work on the legislation, says he has "some concerns" about the credit and is considering capping it or shortening the length of the phase-in.

"I think the reality is you need some incentive to get people into the city," Cole said. "I don't know how much of an incentive you need. I don't think you can do away with the credit."