



Takoma Park City Council Meeting – October 9, 2024

Agenda Item 1 and 3

Public Hearing and Work Session

Proposed Housing Tax Credits – After the Public Hearing, there will be a Presentation and Work Session

Recommended Council Action

Receive a presentation and discuss three proposed tax credits to incentivize new rental housing construction, affordable housing preservation, and housing reinvestment for existing multifamily properties.

A draft ordinance and a draft resolution are included for Council’s consideration. The ordinance establishes a by-right process for two tax credits (New Rental Construction & Affordable Housing Preservation) that forthcoming administrative regulations will detail into a full process. For the Reinvestment credit, staff are putting forward a resolution to establish a program, not fixed in law, but to instead direct staff to develop a competitive allocation program based on the concepts presented. Once the program is established, City staff will award tax credits through the competitive process.

Context with Key Issues

On July 24, 2024, staff presented proposals on four housing tax credits aimed at incentivizing new rental housing construction, missing middle housing, affordable housing preservation, and housing reinvestment for existing multifamily properties show below.

	<i>New Rental Construction</i>	<i>Missing Middle Housing Construction</i>	<i>Affordable Housing Preservation</i>	<i>Housing Reinvestment</i>
Goal/Purpose	Encourage the creation of new rental housing.	Incentivize smaller scale/achievable homeownership opportunities.	Subsidize deed-restricted affordable housing for specific populations.	Incentivize reinvestment in existing multifamily housing.
By-Right/By-Application	By-Right	By-Right	By-Right	By-Application
Eligibility Criteria*	10+net new rental units	1+ net new homeownership units Buyer makes 120% AMI or less	Provides 30% AMI, Transitional or Units for specific groups (Individuals with Disability, Seniors)	Investment meets HUD definition of substantial rehab. Multifamily rental building

Credit Amount	Incremental difference between current tax bill and reassessed amount. (10 years full credit with 5 year scale down)	Incremental difference between current tax bill and reassessed amount. (10 years full credit with 5 year scale down)	Percentage Discount equal to the share of qualifying units, capped at 50% of the tax bill. Annually renewed/verified	50% off tax bill for 10 years
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*Decision Point

Changes and Updates

Since the July 24th presentation, City staff have continued to review and analyze the proposal, hear feedback, and provide education to the public about the proposed credits. Staff are recommending some changes based on their review.

Staff recommends that Council not move forward with the Missing Middle Housing Construction Credit at this time. With pending County and State proposals that may affect where and what types of Missing Middle Housing can be built, staff are recommending that these proposals be passed before any incentives are proposed by the City.

Outreach

Since the July 24th presentation, City staff have taken a number of steps to inform the public about the proposals and the Housing and Economic Development Strategic Plan. These include:

- Digital information to landlords and tenants who have registered to receive more information about the proposed tax credit programs;
- A newsletter article about the proposals and a notification about the upcoming Public Forum;
- A webpage about the proposals including a project timeline, materials, and public meetings;
- Five blog posts concerning questions received related to the proposal and around common housing topics;
- A public forum attended by 20 members of the public in-person and 25 members over Zoom on the implementation of the Housing and Economic Development Strategic Plan that covered the proposed credits that included Spanish language interpreters.
- Multiple social media posts reminding residents about the proposed credits and forum.

Staff will additionally be speaking on the weekly radio show and work to publicize the fiscal analysis when it is completed. Previous staff reports related to the proposal as well as links to the website and forum have been attached to this staff report.

Next Steps

If adopted, Staff will work to develop administrative regulations which set the process and requirements staff need for applying and administering the credit. These would be publicly noticed for comment and review prior to taking effect.

Council Priorities

Environmentally Sustainable Community

Community Development for an Improved & Equitable Quality of Life

Environmental Considerations

The proposed credits would incentivize potential new construction. Each potential project would be evaluated as part of the development review and permitting process and would have to mitigate or address potential environmental impacts. Some tax credits incentivize the improvement or preservation of housing which can result in lower emissions.

Fiscal Considerations

The New Rental Construction tax credit would not reduce current revenue but would provide a credit that would forgo future revenue created by development for a period of time.

The Affordable Housing Preservation Tax Credit is currently expected to result in an additional annual revenue reduction of \$40,000 to \$197,000 depending on the AMI selected by Council (the City already waives roughly \$60,000 for affordable housing properties).

The Housing Reinvestment Credit would require an annual allocation by Council. City staff have provided a range of options that would require an allocation of \$50,000 - \$150,000.

Depending on the criteria and credits adopted, the annual reduction in tax revenue for the proposed credits could be between \$150,000 and \$407,000. The maximum annual cost of PILOTs in the past 10 years has been \$114,000.

A fiscal analysis is being prepared for the New Construction Tax Credit to estimate the foregone revenue from the credit.

Racial Equity Considerations

Approximately 50% of City residents are renters, and non-Hispanic white households make up less than 20% of renter households. Roughly half of the City's renters qualify as low income.

Approximately 90% of the City's housing stock was built over 40 years ago and most of the City's high-rise apartments were built before 1970.

Attachments and Links

- [July 1st Housing Staff Report](#)
- [July 24th Tax Credit Proposals Staff Report](#)
- [Housing Tax Credits City Webpage](#)
- [Housing Policy Forum Recording](#)
- Presentation
- Draft Ordinance
- Draft Resolution

1 Introduced by: Councilmember XXXXX

First Reading: MONTH XX, 202X

2 Second Reading: MONTH XX, 202X

3 Effective Date: MONTH XX, 202X

4
5 **CITY OF TAKOMA PARK, MARYLAND**

6
7 **ORDINANCE 2024-XX**

8
9 **AMENDING TITLE 6 OF THE CITY OF TAKOMA PARK**
10 **CODE IN ORDER TO ADD PROVISIONS TO CREATE A**
11 **NEW RENTAL HOUSING TAX CREDIT AND HOUSING**
12 **PRESERVATION TAX CREDIT**
13

14 WHEREAS, the Maryland Code, Local Government Article, Section 5–202, as amended,
15 authorizes the legislative body of each municipal corporation in the State of
16 Maryland to pass ordinances that such legislative body deems necessary to assure
17 the good government of the municipality, to protect and preserve the municipality’s
18 rights, property and privileges, to preserve peace and good order, to secure persons
19 and property from danger and destruction, and to protect the health, comfort, and
20 convenience of the citizens of the municipality; and
21

22 WHEREAS, Section 401 of the City Charter states that the Council has the power to pass all
23 such ordinances not contrary to the Constitution and laws of the State of Maryland
24 as it may deem necessary for the good government of the City, for the protection
25 and preservation of the City’s property, rights, and privileges, for the preservation
26 of peace and good order, for securing persons and property from violence, danger
27 or destruction, and for the protection and promotion of the health, safety, comfort,
28 convenience, welfare, and happiness of the residents of and visitors in the City; and
29

30 WHEREAS, the Council wishes to amend Title 6, Housing, of the Takoma Park Code, to provide
31 incentives to development projects which create new rental housing within the City.
32

33 NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA
34 PARK, MARYLAND, THAT:
35

36 SECTION 1 Title 6, Housing, of the Takoma Park Code is hereby amended as follows:
37

Chapter 6.16
LANDLORD-TENANT RELATIONS

Sections:

- 6.16.010 Legislative findings.
- 6.16.020 Applicability
- 6.16.030 Tenant rights of association
- 6.16.040 Obligations of tenants.
- 6.16.050 Obligations of landlords.
- 6.16.060 Lease requirements.
- 6.16.070 Lease term and renewal requirements.
- 6.16.080 Rent increases--Frequency and notification requirements.
- 6.16.090 Fees—General provision, permitted fees, optional fees, prohibited fees.
- 6.16.100 Utilities—Charges to tenant and transfer of utility payments.
- 6.16.110 Entry.
- 6.16.120 Notice to vacate.
- 6.16.130 Security deposits.
- 6.16.140 Defective tenancy.
- 6.16.150 Retaliatory practices.
- 6.16.155 Window Guards.
- 6.16.160 Department investigation and conciliation.
- 6.16.170 Landlord-tenant complaints
- 6.16.180 Tenant displacement and relocation expenses.
- 6.16.190 New Rental Housing Tax Credit
- 6.16.200 Housing Preservation Tax Credit

* * *

6.16.190 New Rental Housing Tax Credit

A. Definitions. As used in this Section:

- 1. “Applicant” means the party applying for the Tax Credit.
- 2. “Application” means an application for a Tax Credit submitted to the City and accepted by the City as complete.
- 3. “Department” means the City of Takoma Park Department of Housing and Community Development.
- 4. “Tax Credit” means the New Rental Housing Tax Credit.
- 5. “Project” means a proposed housing project in the City of Takoma Park.
- 6. “Site” means the parcel(s) on which the Project is being built.

1 7. “Net New Rental Units” means the difference between the units being proposed on
2 the site by the project and the maximum number of units on the site in the prior three (3)
3 fiscal years before the application as evidenced by City Records or other documentation
4 accepted by the Department.

5
6 8. “Tax Reference Year” means the fiscal year that a Project’s Application was
7 approved.
8

9 B. Project Eligibility. A Project is eligible for the Tax Credit if:

10
11 1. The Project is located within the City Limits;

12
13 2. The Project will create ten (10) or more Net New Rental Units;

14
15 3. The Project has received all necessary planning approvals required by the Maryland
16 National Capitol Parks and Planning Commission;

17
18 4. The Project has been issued all permits required by the City for its construction,
19 with eligibility for the Tax Credit conditioned on Applicant obtaining a Use and Occupancy
20 Certificate prior to the start of the Tax Credit Period; and

21
22 5. The Site does not have a currently active New Rental Housing Tax Credit.

23
24 6. Applicant and the owner of Site must be in good standing with all State, County
25 and City laws and regulations.
26

27 C. Application Requirements. Each Applicant must submit an Application for the Tax Credit on
28 a method and form set forth by the Department. The Department will evaluate an application
29 for completeness and may direct an Applicant to provide additional materials or clarification
30 as part of evaluating the tax credit amount and a Project’s eligibility.
31

32 D. Tax Credit Period and Amount. The length and amount of the Tax Credit shall be as follows:

33
34 1. The Tax Credit shall only apply to Takoma Park City Real Property Taxes only.

35
36 2. The Tax Credit shall begin the next Fiscal Year after the date the Occupancy and
37 Use Certificate was issued by Montgomery County.

38
39 a. The City Manager may alter the start date of the Tax Credit. An alteration
40 must be communicated in writing to the Applicant at least thirty (30) days in
41 advance of a new fiscal year.
42

43 3. The Tax Credit shall last for no longer than fifteen (15) fiscal years from the year
44 the Application was approved.

45
46 4. For the first ten (10) years, the amount of the Tax Credit shall be calculated by

1 subtracting the amount of the Site's tax bill for that fiscal year from the Site's tax bill during
2 the Tax Reference Year. The amount of the Tax Credit shall be recalculated based on this
3 formula each fiscal year during the first ten (10) years.

4
5 5. In year eleven (11), the amount of the Tax Credit shall be eighty percent (80%) of
6 the difference between the tax bill of the Site in that fiscal year and the tax bill of the Site
7 in the Tax Reference Year.

8
9 6. In year twelve (12), the amount of the Tax Credit shall be sixty percent (60%) of
10 the difference between the tax bill of the Site in that fiscal year and the tax bill of the Site
11 in the Tax Reference Year.

12
13 7. In year thirteen (13), the amount of the Tax Credit shall be forty percent (40%) of
14 the difference between the tax bill of the Site in that fiscal year and the tax bill of the Site
15 in the Tax Reference Year.

16
17 8. In year fourteen (14), the amount of the Tax Credit shall be twenty percent (20%)
18 of the difference between the tax bill of the Site in that fiscal year and the tax bill of the
19 Site in the Tax Reference Year.

20
21 9. In year fifteen (15), the amount of the Tax Credit shall be ten percent (10%) of the
22 difference between the tax bill of the Site in that fiscal year and the tax bill of the Site in
23 the Tax Reference Year.

24
25 E. Adjustment for previously existing units. The amount of the Tax Credit shall be adjusted each
26 year by multiplying the amount of the Tax Credit by the quotient of the net new rental units
27 divided by the total number of housing units of the Project.

28
29 F. Tax Credit suspension and revocation. The City Manager may suspend or revoke a Tax Credit
30 if the Project is in violation of State, County or City laws, ordinances, or administrative
31 regulations.

32
33 1. The City Manager shall issue a written notice of the action setting forth the specific
34 reasons for the action and serve the notice on the property owner or agent of the property
35 as provided in Sections 1.04.120(C) and (D).

36
37 2. The property owner or agent, may, within 15 calendar days after service of the
38 written notice of the action, appeal the action to the City Council by filing a written notice
39 of appeal to the City. An appeal does not stay the City Manager's action unless the Council
40 stays the action for good cause.

41
42 G. Applicants found to have mistakenly included false statements on applications for the Tax
43 Credit will be subject to the correction of any erroneously awarded credit amount in the event
44 that the credit granted exceeded the amount the Applicant was actually entitled to.

45
46 H. Applicants found to have intentionally included false statements on applications for the Tax

Credit will be subject to the permanent removal of the credit and will be liable for any credit amounts previously awarded, as well as back taxes due with penalties and interest.

* * *

6.16.200 Affordable Housing Preservation Tax Credit

A. Definitions. As used in this Section:

1. “Applicant” means the party applying for the Tax Credit.
2. “Application” means an application for a Tax Credit submitted to the City and accepted by the City as complete.
3. “Department” means the City of Takoma Park Department of Housing and Community Development.
4. “Tax Credit” means the Affordable Housing Preservation Tax Credit.
5. “Property” means a pre-existing Multi-Family Dwelling that is the subject of an Application under this Section.
6. “Qualified Dwelling Unit” means a Dwelling Unit that is subject to at least one of the restrictions identified in (B)(3) of this Section.

B. Credit Eligibility. A Property is eligible for the Tax Credit if:

1. The Property is located within the City Limits;
2. The Property is a Multifamily facility for rent containing at least 10 dwelling units.
3. The Property has a deed-restriction or other recorded agreement in the Land Records for Montgomery County that provides for at least one of the following restrictions on some, if not all, of the of the Property’s Dwelling Units:
 - a. The total yearly rent for tenants residing at the Property’s Qualified Dwelling Units is capped at 30% of the area’s median income as reported by the U.S. Department of Housing and Urban Development with tenancy in the Property’s Qualified Dwelling Units restricted to individuals or families that make 80% or below the area median income. HUD’s annual reporting on area median income can be found at: <https://www.hudexchange.info/programs/home/home-income-limits/>.
 - b. Tenancy at the Property’s Qualified Dwelling Units is restricted to seniors of age 62 or older.
 - c. Tenancy at the Property’s Qualified Dwelling Units is restricted to

1 households with individuals currently receiving disability benefits from the Federal
2 Social Security Disability Insurance program or the Supplemental Security Income
3 program and who have annual earned income of 80% or below the area’s median
4 income as reported by the U.S. Department of Housing and Urban Development.
5 HUD’s annual reporting on area median income can be found at:
6 <https://www.hudexchange.info/programs/home/home-income-limits/>.
7

8 d. The Property’s Qualified Dwelling Units are restricted for use as either
9 transitional or permanent supporting housing for the formerly homeless. For a
10 Dwelling Unit to meet this criterion, Landlord must show that the Property is a
11 participant in a supportive housing program aimed at providing residents with rental
12 assistance or ongoing supporting services for individuals that are recently or
13 chronically homeless.
14

15 4. The Property has a valid Use & Occupancy Certificate.
16

17 5. The Property and its Owner are in good standing with all State, County and City
18 laws and regulations.
19

20 C. Application Requirements. Each Applicant must submit an Application for the Tax Credit on
21 a method and form set forth by the Department. The Department will evaluate an application
22 for completeness and may direct an Applicant to provide additional materials or clarification
23 as part of evaluating the tax credit amount and a Property’s eligibility.
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25 D. Tax Credit Period and Amount. The length and amount of the Tax Credit shall be as follows:
26

27 1. The Tax Credit shall only apply to Takoma Park City Real Property Taxes only.
28

29 2. The Tax Credit shall begin the next Fiscal Year after the date the Property’s
30 Application is approved by the City.
31

32 a. The City Manager may alter the start date of the Tax Credit. An alteration
33 must be communicated in writing to the Applicant at least thirty (30) days in
34 advance of a new fiscal year.
35

36 3. The Tax Credit shall continue as long as the Property remains subject to the deed-
37 restrictions and/or land-use agreements identified above. If the Property is found to no
38 longer comply with these land-use restrictions, the Tax Credit shall terminate with
39 immediate effect.
40

41 4. The Tax Credit shall be a proportional reduction in the Property’s yearly tax bill
42 not to exceed fifty percent (50%) of any fiscal year’s property taxes. The Property’s tax
43 reduction shall be calculated based on the number of dwelling units meeting the eligibility
44 criteria outlined in 6.16.200(B)(2) of this Section divided by the Property’s total number
45 of dwelling units.
46

WORKING DRAFT

City Attorney to Staff
10.4.2024

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4893-6817-2524, v. 1

Introduced by: Councilmember

**CITY OF TAKOMA PARK, MARYLAND
RESOLUTION 2024-**

**DIRECTING STAFF TO DEVELOP AND BUDGET FOR A MULTIFAMILY
REHABILITATION TAX CREDIT**

WHEREAS, the City Council adopted Housing and Economic Development Strategic Plan by Resolution 2019-47 on October 16, 2019 which lays out an objective to “Provide support to property owners and business owners through means such as grants and tax credits to allow such owners to maintain their property”; and

WHEREAS, Staff have presented a Rehabilitation Tax Credit Program which implements the objective stated in the Housing and Economic Development Strategic Plan; and

WHEREAS, the Council, having conducted a series of work sessions focused on this program, supports the development and implementation of such a Tax Credit.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF TAKOMA PARK, MARYLAND directs Staff to develop a Tax Credit Program based on the proposal presented to Council, budget funding in the amount of \$50,000 per year annually towards the program, and return with awardees for Council approval.

Adopted this ____th day of _____, 2024.

Attest:

Jessie Carpenter, CMC
City Clerk