

CITY OF TAKOMA PARK
HOUSING & COMMUNITY DEVELOPMENT



February 28, 2024

New Housing Tax Credit Program

Devin McNally, Housing Manager



PROPOSAL

A by-right 15-year tax credit for any property constructing 10 or more **net new** residential Units.

- 100% of the incremental assessed value for the first 10 years
- A decreasing credit over the next 5 years



Goal: Encourage new residential construction in the City

BACKGROUND

Key Housing Statistics

40% of Rental Units are Deed - Restricted Affordable Housing

Median Rent is ~\$700 less than the County

61 new units permitted since 2010

Implements the **2019 Housing & Economic Development Plan** as well as the **2025 Council Budget Priorities**



PROPOSED TAX CREDIT STRUCTURE

Year	1-10	11	12	13	14	15	16 +
Incremental Credit Value	100%	80%	60%	40%	20%	10%	None

The **Incremental Credit Value** is the New Assessment Value minus their previous assessment before construction

For the first 10 years, the property would only pay the property tax they had been paying before the built the new housing

The property tax would then increase over 5 years to the typical assessed amount.





ADJUSTING FOR REDEVELOPMENT

For projects that are for the redevelopment of a property, the Credit would be scaled to **only provide incentives for new units created**.

Example: A 90-unit building is redeveloped into a 100-unit building.

The adjustment would be the **net number of new units (10) divided by the project size (100)**. So credit would be 10% (10/100) of what it could be.

If a building or property is only adding units (such as a new building), the project size would only be the units created and the builder could claim the full credit.

Example Project

75-Unit Development on Tax-Exempt Property

Annotation or Credit can go here



Assumptions	
Units	75
Current Assessment	\$3,500,000
Current Tax Bill	\$0
Future Assessment	\$12,000,000

	Years 1-5	Years 6-10	Years 11-15	Years 16-20
No Project Tax Revenue	-	-	-	-
Tax Bill with Project	\$351,805	\$407,838	\$472,796	\$548,100
Credit Value	(\$351,805)	(\$407,838)	(\$193,553)	-
Realized Tax Revenue	-	-	\$279,243	\$548,100

Example Project

100-Unit Development on Vacant Property

Annotation or Credit can go here



Assumptions	
Units	100
Current Assessment	\$3,500,000
Current Tax Bill	\$19,327
Future Assessment	\$35,000,000

	Years 1-5	Years 6-10	Years 11-15	Years 16-20
No Project Tax Revenue	\$102,610	\$118,953	\$137,899	\$159,863
Tax Bill with Project	\$1,026,097	\$1,189,527	\$1,378,988	\$1,598,625
Credit Value	(\$923,487)	(\$1,070,575)	(\$508,078)	-
Realized Tax Revenue	\$102,610	\$118,953	\$870,910	\$1,598,625

Scaled Tax Credit

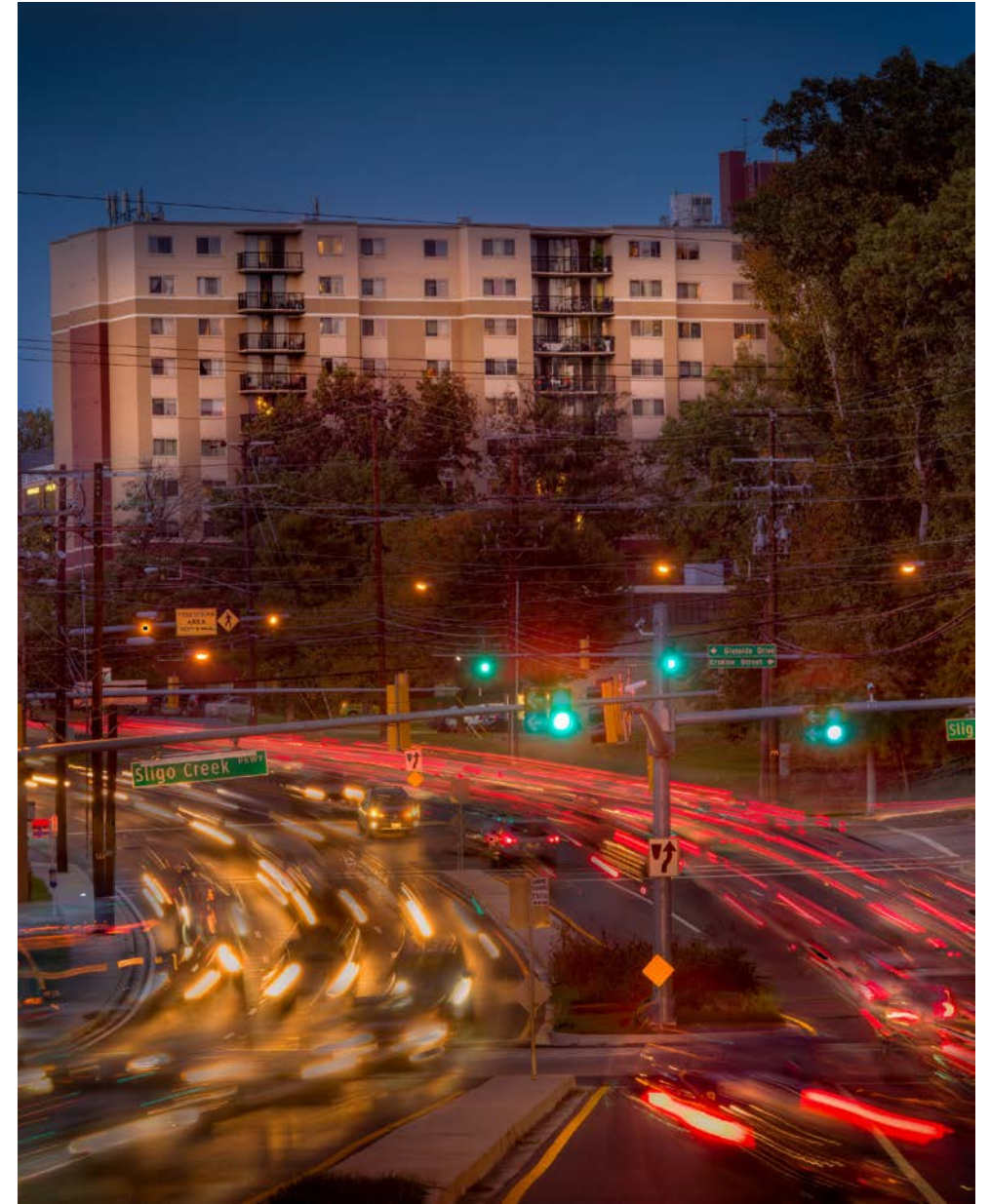
Assumptions	
Units	100 (10 New)
Current Assessment	\$3,500,000
Current Tax Bill	\$19,327
Future Assessment	\$35,000,000

	Years 1-5	Years 6-10	Years 11-15	Years 16-20
No Project Tax Revenue	\$102,610	\$118,953	\$137,899	\$159,863
Tax Bill with Project	\$1,026,097	\$1,189,527	\$1,378,988	\$1,598,625
Credit Value	(\$92,349)	(\$107,058)	(\$50,808)	-
Realized Tax Revenue	\$933,748	\$1,082,470	\$1,328,180	\$1,598,625

The credit would be adjusted by the number of new units (10) divided by the total project size (100) so the applicant would get only 10% (10/100) of the potential credit value.

TAKEAWAYS/NOTES

- The Tax Credit would only affect **potential future revenue** and would not impact current revenue
- A credit would provide a subsidy equivalent of between **\$5,000 - \$15,000 per unit** (a unit typically costs between \$240,000 and \$540,000)
- Depending on project size, the value of the credit could be between **\$500,000 to \$1.3 million** (most City grants range between \$200,000 and \$300,000)
- Units benefiting from the credit would provide **additional housing for local workers and families, raise additional revenue for City Services, and provide a greater subsidy than traditional City grants.**

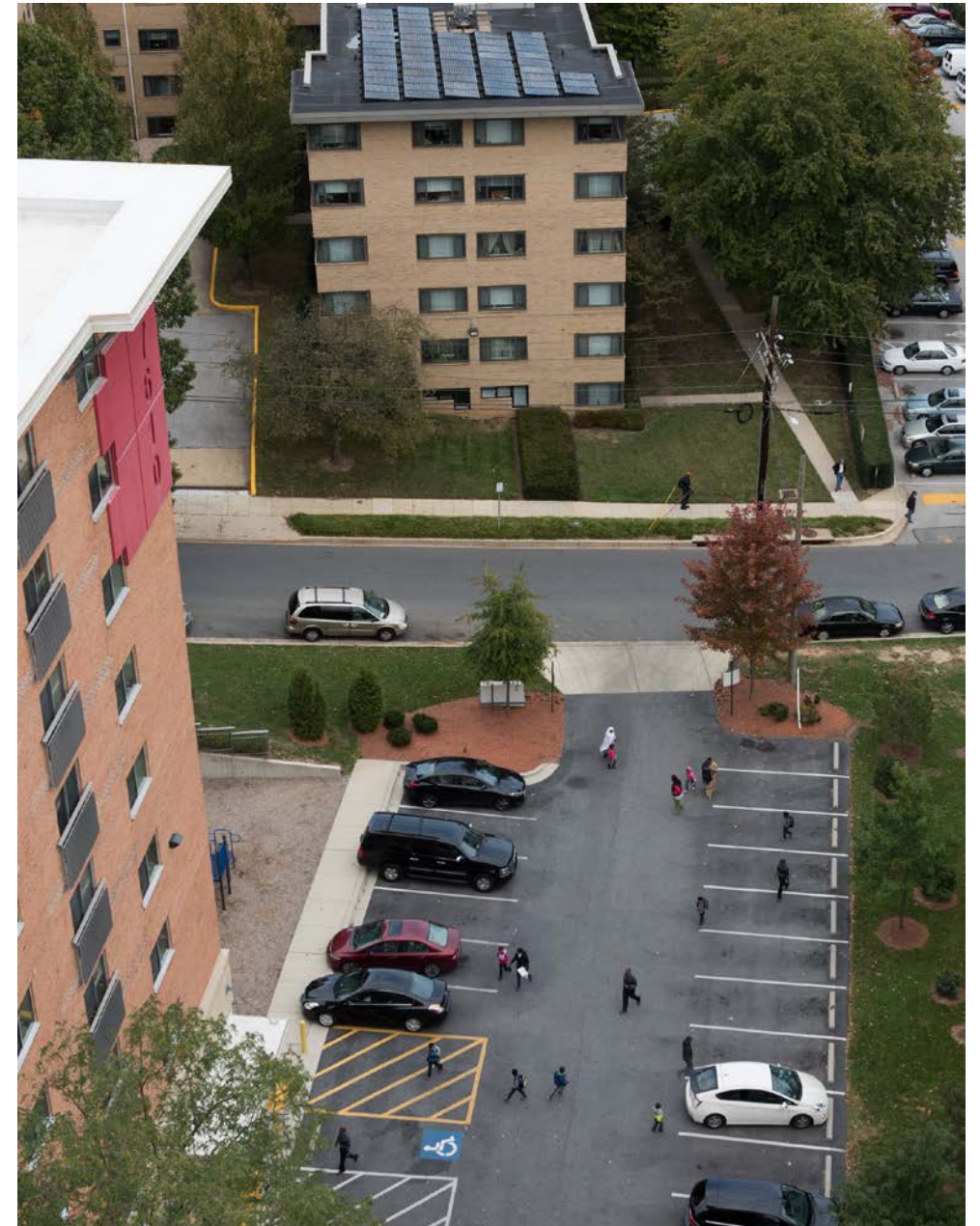


Staff Recommendation

- The City implement a by-right Multifamily Housing Tax Credit program to begin in the 2025 Fiscal Year.
- The City Manager return to City Council with a complimentary Multifamily Substantial Rehabilitation Tax Credit or policy change.

Next Steps

- City Manager will incorporate work session guidance and begin working on an ordinance with the City Attorney
- Ordinance Introduction: May/June 2024
- Substantial Rehabilitation Tax Credit/Policy Work Session: Late Summer 2024



CITY OF TAKOMA PARK



★ MARYLAND ★