

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 756

(Senator McCray)(By Request - Baltimore City
Administration)

Budget and Taxation

Ways and Means

**Baltimore City – Economic Development Project in Downtown RISE District –
Payment in Lieu of Taxes**

This emergency bill authorizes Baltimore City to exempt or partially exempt specified economic development projects from the city real property tax under specified conditions. To qualify for the tax exemption, the owner of the economic development project and the Baltimore City Board of Estimates must enter into a payment in lieu of taxes (PILOT) agreement. The bill terminates ten years from the date of enactment.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City property tax revenues may decrease in FY 2027 through FY 2036 to the extent the city enters into PILOT agreements with economic development projects. The amount of any revenue decrease depends on the number of economic development projects in the Downtown RISE District and the assessed value of real property of these projects. Property tax revenue decreases will be mitigated by negotiated PILOT agreements between the city government and economic development projects.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill authorizes Baltimore City to exempt or partially exempt an economic development project located in the Downtown RISE District from the city real property tax if (1) the owner of the economic development project demonstrates to the

satisfaction of the Baltimore City Board of Estimates that the City of Baltimore or its designated agency has conducted an economic analysis of the project, including an assessment of the financial necessity for an exemption, and (2) the owner of the economic development project and the Baltimore City Board of Estimates enter into a PILOT agreement on or before June 30, 2036. The PILOT agreement must specify the amount that the owner must pay to the city each year in lieu of the payment of city property taxes during the term of the agreement.

To be eligible for a PILOT agreement, the owner of the economic development project must (1) apply to enter into a PILOT agreement; (2) have building permits issued; and (3) have satisfied or waived all conditions for the financing required for the construction of the project.

On or before January 1 each year, the City of Baltimore or its designated agency must report to the president of the Baltimore City Council and the General Assembly a description of each economic development project for which the city has entered into a PILOT agreement during the preceding fiscal year, including a statement of the economic analysis. For completed projects that have a PILOT agreement, the report must include (1) the number and types of jobs created during the preceding fiscal year and estimated to be created during the following fiscal year; (2) the total taxes that the project is estimated to have generated for the city during the preceding fiscal year and estimated during the following fiscal year; and (3) any other economic benefits of the project.

An “economic development project” is defined as a real estate development project that consists of newly constructed or rehabilitated commercial or multifamily residential property if the real estate development project exists within the Downtown RISE District and includes at least one of the following: (1) a hotel; (2) an office building; (3) a retail facility; (4) a multifamily residential facility; or (5) a mixed-use facility that contains one or more of the facilities described above.

The “Downtown RISE District” in Baltimore City consists of: (1) ward 4, precinct 1; (2) ward 4, precinct 2; (3) ward 4, precinct 3; (4) ward 22, precinct 1; (5) ward 22, precinct 2; and (6) ward 21, precinct 5.

Current Law: While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax – Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property.

Existing Authorization in Baltimore City

Chapter 643 of 1999 authorized Baltimore City to provide a property tax exemption for specified economic development projects located in an urban renewal area. Subsequent legislation (Chapters 573 and 574 of 2013) expanded this authorization for economic development projects located in any part of the city. An economic development project is defined as a real estate development project for which a PILOT agreement was entered into prior to June 30, 1999, in accordance with the current PILOT for developing property located within urban renewal areas or that consists of newly constructed or rehabilitated commercial or multifamily residential property. In addition, the project must meet the following conditions: (1) had or will have a certificate of occupancy issued on or after January 1, 1999; and (2) includes at least one of the following projects – a hotel, an office building, a retail facility, a multifamily residential facility, an off-street parking facility, and a mixed-use facility. These facilities have to meet specified employment and/or capital investment qualifications in order to qualify as an economic development project. An economic development project may qualify for the real property tax exemption or partial exemption if the owner or owners of the project:

- construct and operate a hotel, office building, retail facility, parking garage, apartment building, or condominium;
- invest from \$2.5 million to \$20.0 million in private capital in the development (the amount depends on the type of development), with an equity investment of at least 10% for a hotel facility or an office building facility or at least \$250,000 for a multifamily residential facility or an off-street parking facility;
- provide 100-150 new full-time job opportunities (or 250 parking spaces in the case of parking facilities), depending on the type of development;
- demonstrate to the City Board of Estimates that (1) Baltimore City has conducted an economic analysis of the project containing certain information including cash flow, sources of financing, and projected returns on investment; (2) the public benefit the project will provide; (3) the financial necessity for an exemption; and (4) the private capital investment for the project includes equity investment above specified levels based on the type of project;
- have authorization from the mayor and city council stipulating that the development will not involve gambling activities beyond the activities allowed by law as of January 1, 1999, or related to any game not authorized by the Maryland State Lottery; and
- enter into a PILOT agreement specifying the owner(s) will pay property taxes to Baltimore City each year of the agreement in an amount equal to (1) no less than the taxes on the property before the construction or rehabilitation of the project plus at least 5% of the Baltimore City real property taxes related to the economic development project that would have otherwise been due absent the agreement;

(2) 5% of the Baltimore City real property taxes related to the project that would have otherwise been due absent the agreement; or (3) the Baltimore City taxes on the property before the construction or rehabilitation of the project. The amount of taxes owed depends on when the owner(s) entered into the PILOT agreement with Baltimore City.

The term of the agreement may not exceed 25 years from the date a certificate of occupancy for the project was issued. Full property taxes must be paid each year after the expiration of the agreement. In addition, if construction on the project has not commenced within 18 months from the date of entering into the PILOT program agreement, the agreement will no longer be valid.

Local Fiscal Effect: Baltimore City property tax revenues may decrease in fiscal 2027 through fiscal 2036 to the extent the city enters into PILOT agreements with economic development projects. The amount of any decrease depends on the number of economic development projects in the Downtown RISE District and the assessed value of real property of these projects. For fiscal 2026, the city real property tax rate is \$2.248 per \$100 of assessed value. However, any property tax revenue decrease will be mitigated by negotiated PILOT agreements between the city government and economic development projects. In addition, city income tax revenues may increase to the extent that new jobs are created in the city.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1232 (Delegate Edelson, *et al.*) (By Request - Baltimore City Administration) - Ways and Means.

Information Source(s): Baltimore City; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2026
jg/hlb Third Reader - March 24, 2026
Revised - Amendment(s) - March 24, 2026

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