Bill Title: **House Bill 919, Property Tax - County Authority to Set Special Rates**

Committee: **Ways & Means**

Date: **February 27, 2024**

Position: **Unfavorable**

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

House Bill 919 permits local jurisdictions to set a special property tax rate for a subclass of real property within a special taxing district established for the purpose of financing the cost of state or county transportation improvements and for the purpose of financing the cost of the county's minimum school funding amount. A special rate set may not exceed 12.5 cents for each $100 of assessed value. Real property is divided into the following subclasses of real property commercial or industrial, residential rental that has at least four units built as apartments, residential, commercial, or industrial condominium, property used for both residential and commercial purposes, residential townhouse or rowhouse; and a vacant lot or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice.

Housing providers rely on rent as a sole income stream to fund the operations of the property including mortgage payments and interest, payroll, utilities, business licenses and other taxes, hazard and liability insurance, in-apartment routine repair and maintenance and contract services such as waste collection, janitorial services, maintenance of mechanical systems, boilers, air conditioning systems and elevators, and fire suppression systems. To better understand these costs, the National Apartment Association (NAA) analyzed the 2022 operating statements for rental properties in Maryland with 5 or more units securing loans in Freddie Mac Commercial Mortgage-Backed Securities (CMBS). NAA found that for every dollar of rent:

- $0.47 covers the property's mortgage payments.
- $0.27 covers operating expenses, including utilities, insurance, and ongoing maintenance.
- $0.10 goes towards property taxes, which help fund County programs such as schools, emergency services, and more.
- $0.09 funds employee payroll, including property management and maintenance teams.
- $0.02 are set aside for future upgrades and repairs; and
- Only $0.05 cents of every dollar of rent are returned to the housing provider, and only a small portion of this actually ends up in the owner's pocket. Investors gain primarily.

from the value growth of their assets. Thus, the bulk of this sum is generally reinvested into the property or leveraged to produce new housing.

According to the National Low Income Housing Coalition, Maryland has a dearth of 146,000 affordable housing units. Mandates in the Building Energy Performance Standards (BEPS) will increase costs and make housing even less affordable. According to the Steven Winter Associates Building Energy Performance Standards Development- Montgomery County report, BEPS compliance will result in unit renovation ranging from $42,000 to $60,000 depending on the square footage of the dwelling. These are costs that housing providers and residents cannot absorb.

Assessing another tax on multi-family properties will further exacerbate the financial viability of housing providers and residents and make housing even less affordable. Now is not the time to expose this industry to another tax.

For these reasons, we respectfully request an unfavorable report on House Bill 919.

Aaron J. Greenfield, MMHA Director of Government Affairs, 410.446.1992