

ROBERT TAYLOR
Salisbury, MD

February 20, 2024 (meeting date – House Ways and Means Committee)

RE: HOUSE BILL 765 - Property Tax – Credit for Hotel or Residential Development Projects

I'm submitting this brief statement because I was unable to unmute my Zoom connection during the hearing on this bill earlier today – I do not have a camera connection and was not aware that such was needed to speak to the Committee via Zoom*.

Had I been able to speak, I would have discussed the recommended amendment matters mentioned in the Conclusion section of my previously submitted written testimony, which is attached, below, for convenience.

Also, I would have pointed out that the "Salisbury experience" shows that this open-ended enabling legislation can result in unreasonably large property tax credits to subsidize developers, as discussed in my earlier written testimony. Mr. Simpson, whose firm has profited greatly at the expense of the public essentially repeated his statement on the Senate side (SB 321).

* It appears that the Witness Guidelines do not indicate that a camera link is needed to speak by Zoom

February 20, 2024 (meeting date – House Ways and Means Committee)

RE: HOUSE BILL 765 - Property Tax – Credit for Hotel or Residential Development Projects

I support House Bill 765 (and the similar Senate Bill 321) with revision to:

- A. Limit the amount and length of the property tax waiver ("credit").
- B. Increase the affordable housing requirement to obtain the tax waiver.

These and other revisions are discussed under the CONCLUSION heading, below.

This will also address testimony presented to the Senate Budget and Taxation Committee on SB 321 about the legislation enacted in Salisbury under the 2021 state enabling legislation, currently codified as section 9-324 of the Tax-Property Article (quoted in HB 765, starting at line 22, page 2). Salisbury's so-called "Horizon" program provides for a tax waiver credit (for the increased property value) during a 20-year period*, initially 100% for 5 years, then dropping by 20% in each of the next three such periods – i.e., a total waiver of 70% of the tax revenue during the 20-year period.

Salisbury cannot afford such a loss of tax revenue; during the past 11 years, despite significant growth in the assessable tax base, the real estate tax rate has been increased five times - a total of 26% - to balance the budget under then mayors, including Jacob R. (Jake) Day. Current Mayor Taylor (no relation) was elected last fall.

Fortunately, only one facility, promoted to investors and designed as up-scale (high rent and "return on investment") student housing rental by the bed, namely, the "Ross," has received the

tax waiver ("credit"). This year, Salisbury will lose about \$278,000 in property tax revenue, and the annual lost tax revenue probably will increase during the 20-year waiver (credit) term.

During the testimony on SB 321, Nicholas Simpson, a spokesperson for and a principal in the Ross, portrayed the Horizon program as a huge boon for Salisbury, which is certainly not the case. But it has been a bonanza for the investment group that he manages, which assembled the property on which the Ross has been built. In 2021, shortly after the State's enabling legislation mentioned above and the City's tax waiver program were enacted, the Simpson group (First Move Properties, LLC) sold a 51% interest in the then unbuilt "Ross" facility for \$5.4 million, much more than the cost to acquire the site, to Star-Ross, LLC. This year the City's property tax on the Ross, assessed at \$28.8 million, is (with Enterprise Zone offset) \$7,143, possibly less than the annual rent on just 1 of the 300 plus student beds.

Salisbury's Horizon program has attracted prospective developers, including for proposed apartments** that are "upscale" in design and rental rates – starting at \$21,540/year (1 bedroom) to \$29,940/year (3 bedroom) according to the prospective developer; apparently there is no "affordable housing" in the mix. These rental rates may be common on the Western Shore but are "off the scale" here – DLS data shows that the *median* household income in Wicomico County is about \$62,000/year, much less than the statewide average (\$90,000). Despite having the highest possible "piggyback tax rate (3.2%), the per capita income tax revenue is less than half the statewide average, and the County receives a substantial "Disparity Grant."

Another group in which Mr. Simpson is involved has proposed a hotel/convention center.

Salisbury's experience shows that huge multiyear property tax waiver ("credit") programs have very negative consequences. Besides the lost property tax revenue, they are "playing favorites" as other, competing property owners must pay their full tax levy, and many have done so for years. For example, in Salisbury other "purpose-built" student housing facilities, apartments, and hotels do not receive a property tax waiver subsidy. This is neither reasonable nor "business-friendly." The other Salisbury residents and property owners may have to subsidize these facilities for up to 20 years, which is absurd.

CONCLUSION

1. The state enabling legislation should limit the extent and term of the tax waiver ("credit") to 5 years - 100% in the first year, reduced by 20% in each of the following years – a maximum potential waiver of 60% of the total tax levy during the 5-year period.
2. Rooms for sleeping, etc., and other commercial space in hotels and other non-residential buildings should not be eligible for the tax waiver ("credit"). Why this commercial use should have a tax waiver (credit) in addition to the "Enterprise Zone" program is truly perplexing.
3. The affordable housing requirement should apply to all eligible facilities, regardless of size or number of residential units, and require *at least* 25% affordable housing units. If hotel and related commercial facilities remain eligible for the tax waiver (credit), for such facilities there should be another means - e.g., square footage – to determine the required affordable units.

4. The required affordable housing should be made manifest by deed restriction – as in the affordable housing density legislation requested by the Administration (HB 538/SB 484), which imposes a 40-year duration – and an annual certification regarding the required housing, with actual data, should be a condition to receive the property tax credit during its term.

COMMENT

I was unaware of HB 765 and SB 321 until very recently. Therefore, I am sending a copy of this letter to the Senate Budget and Taxation Committee to apprise its members of the facts mentioned herein and requesting that it revise SB 321 as stated in the Conclusion above.

I am available at rbt.adkinspotts@gmail.com.

-
- * Wicomico County also has enacted a tax waiver (credit) for residential and hotel development that is shorter (10 years) than Salisbury's 20-year "Horizon" program.
 - ** For full disclosure, I am a party in litigation regarding this proposed apartment facility. In November 2023, the Salisbury Board of Appeals denied the developer's request for greater density than allowed, inherently, under the City's zoning code. The developer has appealed, and it is currently pending in the Wicomico County Circuit Court. I am one of the respondents in that court proceeding.