

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

Senate Bill 765 (Senator McFadden) (By Request – Baltimore City Administration)

Budget and Taxation

Ways and Means

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**Baltimore City - General Powers - Special Tax Districts**

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This bill adds buildings that are abandoned property or distressed property, or buildings that provide units of affordable housing to the list of infrastructure improvements, for which bonds may be issued, taxes may be levied, and proceeds from special taxing districts may be used for the financing and repayment of the design, construction, establishment, extension, alteration, or acquisition.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City tax revenues could increase from the creation of special taxing districts within Baltimore City to finance projects under this authority.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Current Law:** Baltimore City has the authority to issue bonds, levy taxes, and use proceeds from special taxing districts for the financing and repayment of design, construction, establishment, extension, alteration, or acquisition of infrastructure improvements, including storm drainage systems, sewers, water systems, roads, bridges, culverts, tunnels, streets, sidewalks, lighting, surface parking, playgrounds, parks and recreation facilities, libraries, schools, transit facilities, solid waste facilities, government buildings, or publicly owned parking structures.

Abandoned property is defined as (1) an unoccupied structure or vacant lot on which taxes are in arrears for at least two years; (2) an unoccupied building that is unfit for habitation and which the owner has been issued a violation notice from the city to either rehabilitate the property or demolish it; (3) a vacant lot on which a building has been demolished; or (4) any building in a block of row houses where 70% of the block contains abandoned property and is determined by the city to require a whole block remedy.

Distressed property is defined as a parcel of real property subject to a tax lien to value ratio equal to or greater than 15% and (1) contains a structure that has deteriorated and constitutes a menace, and is subject to an expired violation notice to rehabilitate the property; or (2) is subject to a lien greater than \$1,000 for work done by the Baltimore City Department of Housing and Community Development.

Affordable housing is defined as housing that is affordable to households with incomes up to 115% of the regional median income.

**Background:** Chapter 405 of 2004 authorized Baltimore City to use proceeds from tax increment financing (TIF) for the construction or rehabilitation of buildings that are considered to be abandoned or distressed property, and the construction of affordable housing. TIF is a method of public project financing whereby the increase in the property tax revenue generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property.

Baltimore City advises that prior to the creation of a TIF district, the city conducts an analysis and makes projections as to the incremental tax revenue that would be generated in the district. Furthermore, the city advises that it would use the authority granted by this bill to provide back-up security for TIF bonds in the event that the post-development tax increment is insufficient to pay for debt service.

The median household income for Baltimore City is \$32,400. **Exhibit 1** shows the median household income for counties in the Baltimore metropolitan area.

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**Exhibit 1**  
**Baltimore Metropolitan Area – Median Household Income**  
**Calendar 2003**

<b><u>Jurisdiction</u></b>	<b><u>Median Household Income</u></b>	<b><u>Percent of State Average</u></b>
Anne Arundel	\$71,500	120.8%
Baltimore City	32,400	54.7%
Baltimore	55,650	94.0%
Carroll	69,100	116.7%
Harford	64,100	108.3%
Howard	82,900	140.0%
Queen Anne's	64,100	108.3%
<b>Statewide</b>	<b>\$59,200</b>	<b>100.0%</b>

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**Local Fiscal Effect:** Baltimore City revenues would increase to the extent that bonds are issued, and property taxes within special taxing districts are increased to finance, refinance, or reimburse the city for the costs associated with the design, construction, establishment, extension, alteration, or acquisition of abandoned or distressed property, or buildings that provide units of affordable housing. Furthermore, to the extent that bonds are issued for the additional purposes granted by this bill, debt service expenditures would increase.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 954 (Delegate Marriott) (By Request – Baltimore City Administration) – Ways and Means.

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

**Fiscal Note History:** First Reader - March 11, 2005  
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