NAIOP
MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

February 3, 2023

The Honorable, Vanessa E. Atterbeary, Chair
House Ways and Means Committee
Room 131, House Office Building
Annapolis, Maryland 21401

Oppose: HB 231 – Baltimore City – Property Tax – Authority to Set Special Rates

Dear Chair, Atterbeary and Committee Members:

The NAIOP Maryland Chapters representing 700 companies involved in all aspects of commercial, industrial and mixed use real estate recommends your unfavorable report on House Bill 231.

House Bill 231 would authorize the City of Baltimore to set separate property tax rates for any class or subclass of property breaking with the long-standing principle that property owners should be taxed at uniform rates. Although we understand the bill is intended to be used to tax vacant properties, the text does not resemble previous legislation on taxing vacant property or tailor the new taxing authority to that purpose. There is little doubt that the broad taxing authority in the bill would result in narrowly drawn, discriminatory tax rates on commercial property exacerbating the disproportionate share of City services financed by commercial real estate.

Because of its high assessments and lower demand for services, commercial real estate already generates more net tax revenue for City services than any other land use. Property taxes, for non-owner-occupied property in the City of Baltimore are $2.248 per $100 of assessed value. Commercial property in the central business district pays an additional surcharge of $0.2239 per $100 of assessed value tax to the Downtown Management Authority special taxing district for a total of $2.47 per $100 of assessed value.

In the most recent triennial assessment, the value of commercial property in the City increased 18.1% an indicator that revenues from these existing taxes will continue to rise. In addition to real property tax, inventories and equipment are subject to the personal property tax and the frequency of refinancing and rate of other commercial transactions means the sector pays disproportionately more in recordation taxes on mortgages and other recorded instruments.

Overreliance on top taxpayers is seen as a risk factor when assessing municipal credit quality. A 2022 report from municipal credit research company, Merritt Research, explored the reliance on commercial real estate tax revenues in 33 major U.S. Cities. The report found that Baltimore's dependency on the top 10 property taxpayers was 7th among U.S. cities with populations of 500,000 or more. (Please see table below)

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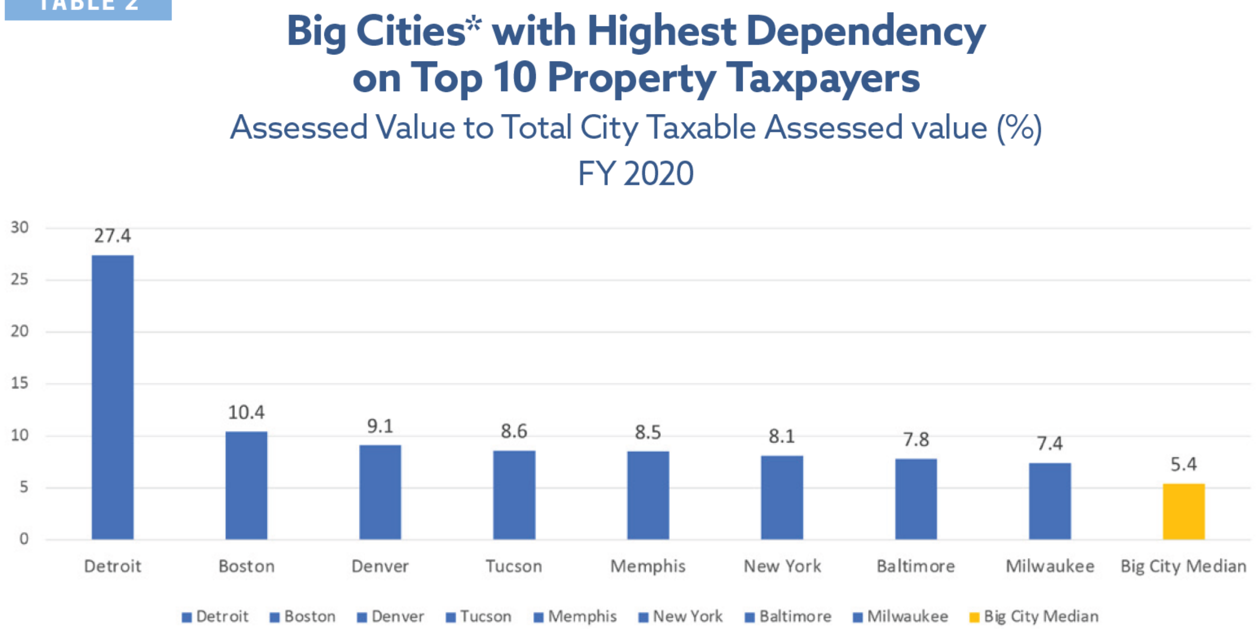
TABLE 2



*Source: **Merritt Research Services, an Investortools Company**. *Big cities include those with populations of 500,000 or more. Compiled from Annual Comprehensive Financial Reports.*

For these reasons, NAIOP cannot support the bill as introduced. However, recognizing the need to address vacant and blighted buildings in the City, a narrower bill that sets out a process for identifying and reclassifying vacant properties may be appropriate.

Sincerely,

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Ways and Means Committee Members
Nick Manis – Manis, Canning Assoc.

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