MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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Baltimore City Needs Tools to Promote Development, Raise Revenue

Position Statement in Support of Senate Bill 138

Given before the Budget and Taxation Committee

Baltimore City's more than 10,000 vacant properties increase the city's costs by millions each year, undermine public safety, and hinder economic development. A special tax rate would enable the city to recoup the disproportionate costs vacant properties generate, raise much-needed revenue, and incentivize healthy development. Senate Bill 138 is identical to the version of this legislation passed by the House of Delegates in 2023 authorizing the city to levy a special tax rate on vacant properties. **For these reasons, the Maryland Center on Economic Policy supports Senate Bill 138.**

Baltimore has the third-highest rate of vacant and abandoned properties nationwide, according to a 2022 study published by the 21st Century Cities Initiative at Johns Hopkins University.[i] **This study estimates that vacant properties cost the city more than $200 million per year:**

- $100 million in directly identifiable expenditures related to vacant properties fiscal year 2022
- $50 million in directly lost property tax revenue due to the low assessment of vacant properties
- $22 million in lost property tax revenue due to depressed property values nearby vacant properties
- $36 million in lost income tax and sewer and water revenue

These costs are untenable at a time when the city already faces increasing fiscal pressures. The Blueprint for Maryland's Future is expected to increase the city's required annual support for public schools by nearly $200 million once fully phased in, compared to the pre-Blueprint funding trajectory.[ii]

Senate Bill 138 would arm the city with a powerful tool to recoup costs and encourage development:

- Because of the extremely low assessed value of vacant properties, the (overwhelmingly private) owners of these properties have very low tax responsibilities – meaning little revenue for the city and little incentive to put properties to more productive use.
- Vacant properties pose a safety hazard, promote violence, and make neighborhoods less attractive to families and businesses alike. Accountability for owners of vacant properties would provide an incentive to instead use these properties to boost the city's scarce stock of affordable housing.
- Baltimore would not be alone in levying a special tax rate on vacant properties. For example, the District of Columbia taxes blighted real property at a rate of 10% and other vacant property at a rate of 5%.[iii] Based on state assessment data, **matching these rates would raise between $8 million and $22**

million per year to fund city services.[iv] To the extent that Senate Bill 138 incentivizes development and improves neighborhood quality of life, the impact could be significantly greater.

- Senate Bill 138 is narrowly tailored to allow a special rate only on vacant properties, fully addressing concerns raised by opponents of last year's bill as introduced.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 138.

Equity Impact Analysis: Senate Bill 138

Bill summary

Senate Bill 138 would authorize the mayor and city council of Baltimore City to set a special real property tax rate for a vacant lot or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice.

Background

- For fiscal year 2023, there were about 11,300 taxable vacant property accounts in Baltimore City, with a combined assessed value of $282.9 million.[v]
- A 2022 study published by the 21st Century Cities Initiative at Johns Hopkins University estimated that vacant properties cost the city more than $100 million in lost revenue and more than $100 million in increased budget costs each year. Baltimore has the nation's third-highest rate of vacant and abandoned properties.
- The District of Columbia levies a 10% real property tax rate on blighted property and a 5% rate on other vacant property.
- The House of Delegates in 2023 passed Senate Bill 13831, which as amended would have granted the city the same authority as this year's Senate Bill 138.

Equity Implications

The extraordinary number of vacant properties in Baltimore City costs the city substantial revenues, generates significant costs, and holds back the city's economic development. This brings significant equity concerns, given the city's racial and ethnic composition:[vi]

- 61% of Baltimore City residents are Black, compared to 32% of Maryland residents overall
- 72% of Baltimore City residents are people of color, compared to 43% of Maryland residents overall

Moreover, vacant properties inflict greater harm on Baltimoreans of color than on white residents: The 10 Baltimore neighborhoods with the highest shares of vacant properties include:[vii]

- The highest and second-highest shares of Black residents by neighborhood
- The neighborhoods with the highest and third-highest rates of child poverty
- Five of the 10 lowest-median-income neighborhoods

Impact

Senate Bill 138 would likely **improve racial and economic equity** in Maryland.

i Mary Miller and Mac McComas, "The Costs of Baltimore's Vacant Housing," Johns Hopkins 21st Century Cities Initiative, 2022, https://21cc.jhu.edu/wp-content/uploads/2022/09/the-costs-of-baltimores-vacant-housing-1.pdf

ii Baltimore City's FY 2034 appropriation to public schools is projected to increase from $346 million (pre-Blueprint) to $543 million (Blueprint), according to a 2021 Department of Legislative Services analysis. Projected Blueprint costs have generally increased since this analysis.
https://dls.maryland.gov/pubs/prod/NoPblTabMtg/CmsnInnovEduc/Tot_Local_Approp_Pre_and_Blueprint_ModelingAssum.pdf
https://dls.maryland.gov/pubs/prod/NoPblTabMtg/CmsnInnovEduc/Tot_Local_Approp_Pre_and_Blueprint_FiscalEffect.pdf

iii Del. Regina Boyce, Senate Bill 13831 of 2023 sponsor testimony, 2023, https://mgaleg.maryland.gov/cmte_testimony/2023/wam/13025_02072023_74138-919.pdf

iv Taxable vacant properties in Baltimore City had a total assessment of $283 million in FY 2023, according to the Senate Bill 13831 of 2023 Fiscal and Policy Note (https://mgaleg.maryland.gov/2023RS/fnotes/bil_0001/hb0231.pdf). Applying the District of Columbia tax rates to this assessable value would generate between $14 million and $28 million in revenue (depending on the proportion of vacant properties classified as blighted), compared to $6 million at the current 2.246% rate.

v Senate Bill 13831 of 2023 Fiscal and Policy Note (https://mgaleg.maryland.gov/2023RS/fnotes/bil_0001/hb0231.pdf)

vi U.S. Census Bureau QuickFacts

vii MDCEP analysis of Baltimore Neighborhood Indicators Alliance Vital Signs, https://bniajfi.org/