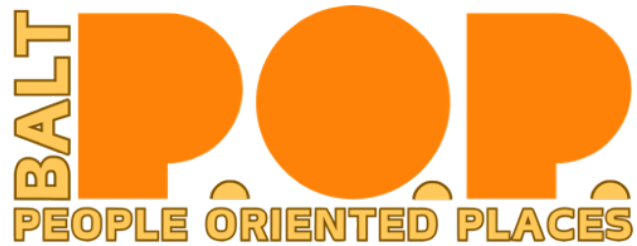


Bill: SB0472

Title: Property Tax - Improvements to Property Adjacent to Rail Stations - Subclass, Special Rate, and Penalty



Position: **Favorable with amendments**

Members of the Senate Budget and Taxation Committee,

As a group which views public transit as a preferred mode of transportation for maximizing the appeal and productivity of Baltimore and its adjacent suburbs - and believes that the land use around public transit should be optimized to take full advantage of it, we are very happy to see SB0472 being introduced.

We are optimistic about the potential for creating a more durable funding source for the Transportation Trust Fund (TTF), in general, and public transit, in particular. However, we want to be sure that this bill's intention and implementation are beneficial for all parties. This includes both the jurisdictions that choose to adopt the capabilities it provides and the state's transit agencies.

We would like to see any revenue remitted to the TTF as a result of this bill somehow directed exclusively to funding public transit and active transportation infrastructure (as opposed to highways). It would run counter to fiscal sense to have the most productive areas of the state (those located around transit stations) to finance automobile-centric projects like road expansions.

Since most of the TTF is currently (and has historically been) used to fund roadway maintenance and expansion, it stands to reason that this concern is legitimate. In fact, we believe a scenario echoing this occurred not too long ago.

We feel that the 5/95% split found in the most recent revision to this bill is a fair split. Asking those local jurisdictions with many existing transit stations (especially Baltimore City) to give up more than 5% of their property tax revenue could be a crippling prospect, making adoption of the capabilities provided by this bill a non-starter. This bill would most heavily affect Baltimore City, Montgomery County, and Prince George's County, with 55.6%, 31.9%, and 25.7% (respectively) of total property value in these counties potentially falling within the bill's proposed umbrella.

That said, a fair split is not necessarily an appealing split - at least not appealing enough to encourage adoption by the state's counties and Baltimore City. We encourage the committee to

also consider the following - rather than splitting revenue 5/95% as written in the bill, split the amount that is in **excess** of what the property's assessed value would be **without** its proximity to transit. This could be a relatively high percentage - up to 50%. We can even imagine both split options being made available in the bill.

High-quality transit infrastructure has been shown to raise the values (specifically land values) of those properties located in closest proximity to such transit's stations. Given this, the opportunity offered by this bill could, instead, be to allow local jurisdictions to capture a portion of the increased land values the publicly-built high-quality transit line yields around its stations. This change would 1) incentivize the construction of that high-quality transit infrastructure, 2) encourage optimal, transit-oriented usage of the land around those stations, and 3) facilitate/fund the construction of future high-quality transit infrastructure.

It's important to emphasize that the focus here is on capturing a portion of the increased privately-owned **land** values, in particular, not the overall **property** values - which are typically a combination of the value of the a) land and the value of the b) improvements (whatever is built) on that land. The mere existence of the high-quality transit line can yield higher land values, regardless of what is built on that land. However, that land can only realize its maximum value if the local jurisdiction properly zones and stewards it to allow/encourage dense, transit-oriented development on it.

It is this land-value-centric opportunity that we would prefer to see this bill provide, as it would spur a virtuous and self-sustaining cycle of public transit development (and transit-oriented development).

The taxation opportunity that this bill would provide Maryland's counties and Baltimore City holds tremendous promise. It could completely catalyze the optimization of our current public transit assets, encourage and fund the construction of future public transit assets, and spur a wave of housing construction around those public transit assets. The amendments we'd like to see considered for this bill are as follows:

1. Ensure that any funds yielded by the provisions of this bill are directed toward public transit.
2. Add the option of deriving the state's remittance from the land value appreciation that will be realized from proximity to public transit assets.

With these changes included, we feel that what we'll end up with is a very appealing capability that Maryland's counties and Baltimore City will find hard to resist adopting.

We hope the committee finds these points helpful and convincing and we urge its members to **vote in favor of SB0472, with our suggested amendments**. Thank you for your efforts and the opportunity for us to testify on this legislation.

[BaltPOP - Baltimoreans for People-Oriented Places](#)