



CITY OF BALTIMORE  
MAYOR BRANDON M. SCOTT

<b>TO</b>	The Honorable President and Members of the Baltimore City Council
<b>FROM</b>	Tim Keane, Acting Commissioner, Housing and Community Development
<b>CC</b>	Mayor's Office of Government Relations
<b>DATE</b>	May 5, 2026
<b>SUBJECT</b>	25-0088 Taxes – Property Tax – Vacant Lots and Vacant Structures

**Position: Favorable with Amendments**

**SYNOPSIS**

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 25-0088 *Taxes – Property Tax – Vacant Lots and Vacant Structures*. This Bill's predecessor, Ord. 24-431 *Property Taxes - Special Rate for Vacant and Abandoned Property*, created a tiered tax rate for properties cited as vacant structures by DHCD Code Enforcement, and established notice requirements for property owners subject to the proposed tax rate.

City Council Bill 25-0088 modifies Ord. 24-431 by adding vacant lots to the vacant property tax, changing the previously tiered tax rate to a flat 400%, and removing the sunset provision. If approved, this Bill will take effect on the 30th day following its enactment, with its special real tax rate first applied to the July 1, 2027 to June 30, 2028 tax year.

DHCD supports enactment of the bill conditional on two amendments: (1) A two year extension for the effective date of the tax, so that it applies to the July 1, 2028 to June 30, 2029, tax year; and (2) exclusion of vacant lots from the bill language.

**BACKGROUND**

In 2024, the Maryland General Assembly enacted legislation (H.B.2) granting local governments the power to establish a subclass of vacant and abandoned properties for property taxes. As written, the State legislation allows local governments to craft their own definition of “vacant and abandoned properties” for tax purposes, but it does not allow any exemptions to be granted from that category once defined.

Pursuant to H.B.2, the Mayor and City Council of Baltimore City enacted Ord. 24-431 *Property Taxes - Special Rate for Vacant and Abandoned Property*. The objective of Ord. 24-431 is to

push more abandoned and vacant properties into productive use, either by moving the property owners to pursue sale or renovation, or by moving the property tax burden closer to the threshold for *in rem* foreclosure by the City.<sup>1</sup>

Since the enactment of Ord. 24-431, DHCD, Department of Finance, Law Department and the Mayor's Office have worked to figure out the correct pathway towards implementation. The greatest challenge was ensuring that 'good faith' partners and developers who had acquired vacant structures for rehabilitation would not be subjected to the tax, as it would be prohibitively expensive.

Because the City had no authority from the state to create exemptions, the agencies explored potential alternatives but received overwhelming negative feedback from nonprofit partners and developers throughout Baltimore. Ultimately, the agencies determined an exemption process with authorization from the state is necessary to prevent the unintended consequences of deterring redevelopment of vacant properties in Baltimore.

In April of 2026, the Mayor's Office and agencies met with the sponsor's office to consider alternatives to implement that tax and have agreed to collectively work on the issues.

## **ANALYSIS**

### **(1) Implementing the tax as is will cause enormous damage to the City's historic redevelopment efforts and to vulnerable parties**

Without the ability to provide exemptions, a 4X increase on property taxes for vacants will apply to every nonprofit and developer partnering with the City through a Land Disposition agreement, or receiving widely publicized subsidies from the City (such as TIF funds or Community Development Block Grants) or the State (such as the Baltimore Vacants Reduction Initiative). According to numerous partners, the increased tax rate would make these projects impossible to complete.

Reduction of vacants also relies on private development activity. The tax will also deter private developers now and in the future. The increased rate would apply to all 3,500 property owners who have open and active building permits for rehabilitating vacant properties and would change the incentive structure for developers who might otherwise purchase properties from tax sale for rehabilitation or seek bank financing for projects.

Finally, this tax will create an undue burden for new homeowners who have unknowingly purchased a property that was rehabilitated without proper permits and is still subject to a "Vacant Building Notice." Homeowners who are victims of this particular fraud already bear the significant unexpected costs of obtaining new contractors and new permits and should not have an additional financial strain.

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<sup>1</sup> In 2020 the City Council enacted *20-0529 Property Tax - In Rem Foreclosure and Sale - Vacant and Abandoned Property*, allowing for In Rem foreclosure of vacant properties with city liens exceeding the assessed value of the property

**(2) A two year extension for the start date of the vacants tax is necessary to receive State authorization and to implement a public process for exemptions.**

In order to exempt property owners who are not the intended targets of the increased tax rate, the City first needs authorization from the state. The earliest possible time the State could approve authorization to craft exemptions would be **April of 2027**. While pursuing state authorization, the City can internally develop the specific exemptions that should be applied; the method for property owners to apply, and the procedure for any appeals.

Once the state grants authorization, the City would need until the following tax year to implement a public exemption process. The legislation requires the City to produce a list on **January 1** of properties that will be subject to the increased tax rate as of the start of the tax year. If the first levy date is pushed to July 1, 2028, the City would have a **seven month** period in which to:

- Publicize the exemption criteria and a portal for applications;
- Review applications and make initial determinations;
- Receive and review any appeals of initial determinations. and
- Create the required list of properties that will be subject to the tax and send out notifications by January 1, 2028.

**(2) Postponing the effective date by two years will have little impact on the success of the vacant reduction efforts**

DHCD has analyzed the effect of the vacant property tax and found that the intended impact of the tax overall would be minimal, and varies widely based on assessed property values

- In Year 1, only 46 properties would be pushed into *in rem* eligibility due to the tax.
- There are 7,900 unique VBN holders; only 146 (2%) hold more than 5 VBNs.
- As of the date of the Tax Analysis, 361 properties in the City with a VBN are assessed at over \$250,000.
- At a 100% collection rate, the tax would add \$28M in tax revenue.

**(2) Vacant lots should be excluded from this legislation because they currently cannot be reliably exempted or even identified as a category.**

As with the vacant structures tax, the City does not currently have state authorization to distinguish between ‘nuisance’ lots that should be subject to penalties and legal action, as opposed to lots that are designated as community managed open space, private drives, or easements; or lots that are in use as community gardens, or are reasonably maintained while awaiting site assembly for a development project. The bill as written would cause some private entities and non-profits to incur much larger tax hikes, including conservation landscapes like forest preservations.

In addition, there is no straightforward, reliable way to identify with vacant lots as defined in the proposed Bill. Currently, City agencies rely on multiple datasets for vacant lot management. "Vacant Lots" can include lots with informal, community-based uses, as well as those with long-term vacancy, illegal dumping, and blight. Currently, the basis for the Vacant Lot data baseline

leverages Maryland’s Department of Assessments and Taxation “Real Property” dataset (SDAT). Parcels that are marked as “no improvement” in SDAT’s dataset are considered Vacant Lots, which indicates parcels do not have improvements based on SDAT’s assessments. Critically, **SDAT’s data on Vacant Lots is often inaccurate and does not align with the City’s working definition of a vacant parcel** (i.e., one without a structure). Furthermore, SDAT reassesses properties on a 3-year cycle, with the City divided into three areas, one assessed per year. This cadence is not well-suited for an annual tax scheme, since a lot’s status may change within that cycle.

## SUMMARY OF POSITION

DHCD shares the Council’s goal of addressing long-term vacancy and blight across the city and supports the intent of the legislation. DHCD is recommending friendly amendments to provide a two-year extension for the start date of the vacant tax and removal of “vacant lots” from the legislation.

Over the next two years, DHCD, DOF, BCIT and the Mayor’s Office, along with the Council, plans to:

1. Work with the City’s State delegation to pass state enabling legislation that authorizes the City to have exemptions for the tax.
2. Simultaneous with pursuing State authorization:
  - a. Draft city legislation creating tax-exempt categories
  - b. Draft rules and regulations for implementation
  - c. Create processes for exemptions (application, review process, data sharing, appeals process, and reporting)
3. After receiving State authorization:
  - a. Pass authorizing City legislation for exemption.
  - b. Implement rules and regulations through the APA process and go through comment periods until passed.
4. Conduct outreach to owners and developers of VBNs and vacant lots on exemptions.
5. Send required notifications out before January 30, 2027.
6. Accept and process applications through June 1, 2028
7. Levy the tax on July 1, 2028.

While the path to resolving the unintended consequences of the vacant property tax is more straightforward, applying the tax to vacant lots entails addressing more complex issues that need to be resolved and a two-year extension would give DHCD adequate time to address.

DHCD, Planning, and other agencies are actively collaborating to improve data quality to better identify Vacant Lots. Our current efforts aim to:

- Create a unified method for identifying Vacant Lots and nuisance lots to address currently fragmented systems
- Improve data sharing across departments and with the State through SDAT
- Limited refresh cycles and manual updates that slow information sharing

- Improve data collection and data quality combining aerial imaging and in-person verification

Until these issues are addressed, implementing a tax on Vacant Lots risks inaccuracy and inequitable application.

To remedy these challenges, DHCD is currently advancing a multi-phase effort with various agencies (such as the Comptroller, DOP, ECB, DPW and DOT) and outside partners to align and validate city data on Vacant Lots. Those phases are defined below as:

- Milestone 1: Combine data from data partners and internal sources across city agencies for a preliminary working version of a vacant lot inventory
- Milestone 2: Use aerial imagery and pilot site visits by DHCD and City staff to verify discrepancies in vacant lot inventory from Milestone 1
- Milestone 3: Clarify ownership and maintenance roles by working with DOP, CleanCorps, ECB and DPW to better coordinate on responsible parties for lot maintenance

We appreciate the Council's attention to this issue and see this proposal as an opportunity to strengthen the groundwork already underway to make a future vacant lot tax successful.

## **CONCLUSION**

DHCD shares the Council's goal of addressing vacant properties and lots throughout the city. DHCD agrees with the intent of the bill – to penalize bad actors and non-movers – which may push some properties into the City's in rem pipeline. Under the current exemption authority, we cannot differentiate them from partners. We support this bill with the amendment to levy the first tax bill on July 1, 2028, to give time for operational process building.

DHCD is strongly in favor of an increased tax rate for absentee owners of vacant structures and vacant lots. However, without the ability to identify the relevant properties and provide an exemption process for partners, the benefits of the tax will be eclipsed by the unintended harm done to redevelopment partners. In other words, a mishandled implementation process could significantly damage the Baltimore vacants reduction policy overall.

## **FISCAL IMPACT**

As drafted, this Bill would have fiscal and administrative impact on DHCD. We are currently using DHCD's capital dollars to undertake the city's Vacant Lots strategy and analysis. We have mapped a path forward in the data prerequisites and analysis; however, it will require additional capital dollars and staff capacity.

## **AMENDMENTS**

*DHCD is Offering Amendments*