FROM	
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AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall
SUBJECT	City Council Bill 21-0172 Baltimore City Legacy Residents – Urban Homesteading Program

CITY of BALTIMORE

MEMO

TO

DATE:

The Honorable President and
Members of the City Council
City Hall, Room 400

January 3, 2022

Position: Oppose

The Department of Finance is herein reporting on City Council Bill 21-0172, Baltimore City Legacy Residents – Urban Homesteading Program.

Fiscal Impact

The Department of Finance anticipates an annual cost of approximately $791,345 for implementation of this legislation. This legislation is part of a package of legislation with *21-0173 Baltimore City Home Repairs Grant Program* and *21-0174 Baltimore City Senior Homeowners Grant Program*. As a package, implementation of these bills is estimated to cost approximately $16.1 million at minimum, excluding the actual grant funding that would be issued through the program established by 21-0174.

In consultation with DHCD, the Baltimore City Home Repairs Grant Program would need (1) Operations Officer II, (1) Construction Project Supervisor II, (2) Rehabilitation Technician IIs, (3) Rehabilitation Technician IIIs, (1) Rehabilitation Loan Processor, and (1) Office Support Specialist III. Based on these staffing estimates, Finance projects an annual estimated personnel cost of approximately $758,245. Additionally, costs for technological equipment and software licenses would be an additional $33,100, for a total annual cost of $791,345.

Baltimore City Urban Homesteading Program	
(1) Operations Officer II	$127,824
(1) Construction Project Supervisor II	$127,824
(2) Rehabilitation Technicians II	$146,248
(3) Rehabilitation Technicians III	$242,193
(1) Rehabilitation Loan Processor	$57,261
(1) Office Support Specialist III	$56,895
Computer Equipment	$25,000
Software Licenses	$8,100
Minimum Program Costs	**$791,345**

This program could positively impact City revenue as a result of transferring property ownership from the City to private residents, which would enable the City to collect real property taxes on the properties. In addition, it could also eliminate eligible properties from possible development projects where the City would receive more than $1 for the purchase of the property. Providing a projection for revenue impacts is complicated by the lack of specific property data available and the unknown changes to assessment values for participating properties.

In addition, revenue from properties that participate in this program would be phased in overtime based on the location of the properties and cycle of the State Department of Assessments and Taxation (SDAT) triennial property tax assessments. SDAT has divided City properties into three groups and conducts a property tax reassessment each year for one of these groups, resulting in a three year reassessment cycle. Assessment increases are phased in over three years, while assessment decreases are taken immediately. As such, any revenue increase from this program would occur over multiple years.

Other Considerations

Finance has identified several concerns regarding implementation of the program and the impact for the City and participants.

First, this legislation requires DHCD to operate the program in neighborhoods that meet certain criteria with the intent of targeting neighborhoods that were historically redlined or overlooked by investors and revitalization efforts. In 2019, DHCD issued *Framework for Community Development*, which defines the agency's overall strategy and plan to advance neighborhood investment in the City and identifies specific impact investment areas. Establishing a new program that does not align with this strategy may limit the effectiveness of DHCD's current programs, as well as the impact of the proposed program.

Second, this legislation is part of a package of legislation with *21-0173 Baltimore City Home Repairs Grant Program* and *21-0174 Baltimore City Senior Homeowners Grant Program*. The intent is that participants in the Urban Homesteading Program will be able to utilize grants provided through the program established by 21-0173 to complete the rehabilitation required. Based on analysis from DHCD, median rehabilitation costs for properties that might be available through the program can be up to $200,000. Depending on the property and rehabilitation needs, the $25,000 grants may cover only a fraction of the costs; therefore, long-term residents residing in these neighborhoods may not be able to participate due to the need to demonstrate their ability to complete all repairs. It is unclear then whether the legislation would benefit the intended residents, specifically legacy residents in the targeted communities.

Third, the legislation would take effect on the 30th day after the date it is enacted and remain in effect until December 31, 2025. Standing up a program of this size in 30 days is not seem feasible considering staffing and outreach needs, as well as establishing proper processes and procedures. In addition, the legislation outlines the lease process and ability of the lessee to obtain an additional two-year extension if repairs are not completed at the end of the initial two-year lease term. If the program were established in January 2022, a resident could obtain a two-year lease and an additional two-year extension, which would run until at least January 2026, after the date the Ordinance expires. This also does not take in account the initial application, review, inspection, and clean up period prior to the lease taking effect.

Finally, the City Council has suggested that this legislative package could be funded using funding that the City has been allocated from the American Rescue Plan Act (ARPA). Finance defers to the Mayor's Office of Recovery Programs on whether these programs are eligible uses of ARPA funding. Considering the timeline laid out above and that all ARPA funds must be spent by December 2026, there could be issues of properly running the program using these funds, if eligible. If this program is not eligible for ARPA funding, the General Fund would be unable to support such a large program considering the current fiscal outlook due to the COVID-19 pandemic and increased education spending as a result of the implementation of the Blueprint for Maryland's Future legislation, which begins in Fiscal 2023.

Conclusion

While the Department of Finance supports the intention of this legislation, the City is unable to fund the program through the General Fund without reducing existing programs. In addition, there are concerns about how the program aligns with the Department of Housing and Community Development’s strategy and framework, as well as whether the program will benefit the intended residents.

For the reasons stated above, the Department of Finance opposes City Council Bill 21-0172.

cc: Henry Raymond
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