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FROM	NAME & TITLE	Robert Cenname, Budget Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 21-0001R – Investigative Hearing- Affordable Housing Trust Fund		

DATE:

TO

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

February 8, 2021

The Department of Finance is herein reporting on City Council Bill 21-0001R, Investigative Hearing-Affordable Housing Trust Fund, the purpose of which is to hear from the Acting Commissioner of the Department of Housing and Community Development (DHCD), relevant staff, and the Chair and other members of the Affordable Housing Trust Fund about the status of the Affordable Housing Trust Fund.

The Affordable Housing Trust Fund was established in 2016 with the passage of a Charter Amendment. In 2018, the City Council passed legislation, Ordinance 18-215, to established a funding source for the Fund, which is a yield tax applied to the transfer and recordation taxes for properties over \$1 million. Transfer and recordation taxes are applied when a property in the City is sold. The City's current transfer tax rate is 1.5% of the property value and the recordation tax rate is \$5 per \$500 of property value. The legislation applies an additional yield tax of 40% of the transfer tax amount and 15% of the recordation tax amount.

The Affordable Housing Trust Fund Commission was appointed in 2018 and oversees the Fund, while working with DHCD, which administers the fund. The Department of Finance's Bureau of Revenue Collections (BRC) manages the collection of the yield tax and ensuring the proper funds are placed in the appropriate account.

The BRC Tax Transfer Clerks review all transactions and apply the yield taxes when the transaction is \$1 million or more. The clerks first process the base transfer and recordation taxes and then apply the yield taxes to those values. Based on analysis of transfer and recordation tax revenue in Fiscal 2016 through Fiscal 2018, the Department of Finance estimated that the yield tax could generate up to \$13 million. However, this is an unpredictable source of revenue since it is dependent on the housing market conditions. The Department of Finance has seen an overall decline in transfer and recordation revenues across the board, as well as among those properties over \$1 million. In addition, the revenues can vary based on the value of outlier transactions, such as a \$142 million transaction in Fiscal 2017 and a \$242 million transaction in Fiscal 2018.

The Department of Finance will attend the hearing and answer questions related to the Department's role in the process and revenue generated thus far.

cc: Henry Raymond
Natasha Mehu
Nina Themelis