



Neighborhood Housing Services of Baltimore, Inc.

October 22, 2024

Chairman Eric Costello
Ways and Means Committee
Baltimore City Council
Room 400 City Hall
100 N. Holiday St.
Baltimore, MD 21202

RE: Vacancy Tax 24-0601

Position: SUPPORT

Dear Chairman Costello and Members of the Committee:

I am the Chief Executive Officer of Neighborhood Housing Services of Baltimore (NHS), and a resident of Baltimore City Council District 4. Our organization believes that economic and social justice are a right for all residents and communities. We promote this belief by removing barriers of access to homeownership, helping resident access resources to maintain their homes, and supporting communities historically impacted by systemic disinvestment.

One area where economic justice can be expanded in Baltimore City is the property tax system. The current tax system requires all properties to be taxed at the same rate. During the 2024 legislative session, Del. Boyce and Sen. Hayes sponsored legislation that authorizes Baltimore City to establish a separate tax rate for vacant properties and lots. City tax rates are based on the state assessment of value. Vacant properties are typically assessed for a significantly lower value than occupied properties but have a much higher cost to the city with demands for city services. The effective result of this is occupied properties subsidizing the services demanded for vacant properties. This results from the very low amount of taxes paid by vacant properties due to low assessments.

A [study](#) conducted by Johns Hopkins University last year concluded that vacant properties cost Baltimore City over \$100 million annually in direct costs through city services and an additional \$100 million annually in reduced collections because of the direct impact of the vacant properties on the value of surrounding properties. This annual cost to the city is directly attributed to the over 13,000 vacant properties in Baltimore. This means that the direct cost to the city in provision of services and lost revenue is over \$14,000 for each vacant property in Baltimore. Almost all vacant properties in Baltimore have tax assessments below \$40,000. This results in a tax bill that is less than \$1,000. The result is that the remaining city taxpayers are subsidizing the cost of vacant properties. These properties are not only blighting our neighborhood's physical environment but they are also utilizing a disproportionate amount of resources depriving the city of desperately needed funding for city services and revitalization. City council bill 24-0601 establishes a higher tax rate for vacant properties in Baltimore City.



25 E. 20th Street, Suite 170 Baltimore, Maryland 21218

Office: 410-327-1200

Fax: 410-675-1855

www.nhsbaltimore.org



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There are currently significant efforts by the city and state to provide resources needed to address the vacant property issues in Baltimore with an investment of \$3 billion over the next 15 years. As a nonprofit developer serving West Baltimore, NHS strongly supports these efforts. We also recognize that money alone will not be able to solve the vacant property challenges confronting our city. Acquiring properties is another critical component needed to ensure success in our battle against vacancy and blight. In 2019 the Maryland General Assembly passed the state law authorizing local jurisdictions to utilize *In Rem* tax sale foreclosure on vacant properties. Baltimore City has successfully implemented this system and is acquiring properties to support the redevelopment of Baltimore. For a property to qualify as eligible for *In Rem* foreclosure the liens on the properties must exceed the assessed property value. With current tax rates if no other liens accrue to a property it will take about 40 years for a property to be eligible for *In Rem* foreclosure. Increasing the tax rates for vacant properties combined with environmental liens previously passed by the City Council and implemented will lead to additional properties being eligible for *In Rem* foreclosure. Increasing the tax rate for vacant properties will also serve as a deterrent for speculators holding vacant properties.

One consequence of increasing the tax rate is that both nonprofit and for-profit developers working in partnership with the city also be required to pay the higher tax rate. It will be important for Baltimore City to provide financial support to these groups. I would suggest establishing a fund to support development funded by the revenue generated by the increase in the tax rate. These funds would be administered by DHCD to support projects aligned with community priorities. Baltimore DHCD could also identify properties and lots owned by residents or community organizations as well as any properties that are occupied by misclassified as vacant. These property owners could also be supported with grants to ensure taxes on their properties remain current.

24-061 would help bring equity to the tax collection system in Baltimore City. We ask that the Committee issue a *favorable* report on 24-061.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Ellis".

Daniel T. Ellis
Chief Executive Officer



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