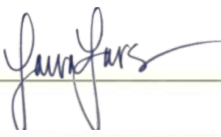



FROM	NAME & TITLE	Laura Larsen, Budget Director 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall		
	SUBJECT	City Council Bill 22-0204 Vacant Structures – 311 Complaint Fines		

DATE:

TO

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

October 7, 2022

Position: Oppose

The Department of Finance is herein reporting on City Council Bill 22-0204, Vacant Structures – 311 Complaint Fines, the purpose of which is to establish a fee structure related to vacant structures in which a fee is issued for repeated substantiated 311 service requests related to those properties.

Background

In an effort to reduce the number of vacant properties and create additional accountability for property owners, City Council Bill 22-0204 aims to create a fee schedule for substantiated service requests at a vacant structure when there are 2 or more 311 requests made within a 12-month period. This legislation would apply a fee beginning with the second substantiated service request within a 12-month period. The proposed fee begins at \$100 and grows to \$2,500 if there are 10 or more substantiated service requests.

Additionally, the legislation enables the Environmental Control Board (ECB) to assess late fees if payment is not made within 30 days of an invoice being issued and/or if payment is not made within 30 days of an appeal decision. Furthermore, vacant structure registration could be revoked if either the original fee or the late fee is not paid within 10 business days.

Currently, there are fee structures in place related to the annual registration of vacant structures, requiring an annual fee of \$100 for residential structures and \$250 for all other structures. In addition, environmental citations can also be issued for violations, including failure to abate citations, which carries a fine of up to \$900 per citation.

Fiscal Impact

The Department of Finance anticipates that this legislation will have a fiscal impact for City operations with limited revenue generated from the fees.

Operations

Finance anticipates this legislation would require at least \$260,000 for implementation, with annual costs of at least \$110,000 for personnel and resources, including a new system, to manage this program.

Expense	Cost
Personnel	\$70,000
Annual Software Cost	\$50,000
One-time Software Costs	\$140,000
ECB Appeals	Unknown

Based on conversations with ECB, Department of Housing and Community Development (DHCD), and Baltimore City Office of Information and Technology (BCIT), the 311 system does not have the capabilities

to manage this program. BCIT estimates that a new system may cost \$50,000 annually, depending on the specifications, with \$140,000 in one-time costs for software implementation and training.

To manage this program, DHCD anticipates needing one additional position. In addition, this legislation has the potential to increase the number of ECB hearings and the necessary materials to support the hearing process. Therefore, additional resources beyond ECB's budget allocation may be required to meet increased costs for hearing officers and printing materials. Personnel costs are estimated at \$70,000, including salary, other personnel costs, and other costs. Costs for ECB are dependent on the increased workload from this legislation, so cannot be estimated.

Revenue

Finance attempted to compile a revenue estimate for this legislation, but more clarity on details outlined in the other considerations section are needed to be able to complete this analysis. However, due to the nature of these fees being applied to vacant properties, Finance anticipates a low collection rate as the City already struggles to collect payments of other fees and taxes from vacant properties.

Other Considerations

Finance supports the intent of this legislation, but has identified a few concerns to be considered.

First, the legislation allows a late fee to be assessed for any unpaid fee 30 days or more after the issuance of the invoice or 30 days or more after the final decision if an appeal process is undertaken. However, revocation of the vacant structure's registration could occur within just 10 business days of the issuance of either the initial fee or a late fee. It is unclear how revocation of the vacant structure's registration would benefit the City since this is a tool used to track these properties, and it could actually disincentivize those who have done what is legally required by registering their property.

Second, given that the proposed fee is based on 311 service requests, it is possible that certain properties could be targeted with 311 service requests. Finance defers to the DHCD, BCIT, and ECB on whether 311 service requests are an appropriate data source and potential data sources and systems to best meet the intent of the legislation.

Finally, the City struggles to collect property taxes, citations, and other bills for a large number of vacant properties. Therefore, Finance does not anticipate that the City will see additional revenue from this legislation and expects an increase in the number of properties accumulating with the value of outstanding liens greater than the assessed property value. This scenario reduces the financial incentive to invest in vacant properties. The City has limited authority to abate these liens to support development of vacant properties and has only recently begun implementing the in-rem foreclosure process. As such, Finance is concerned that increasing fees at the rate established by this legislation may have the unintended consequence of disincentivizing investment in vacant properties.

Conclusion

The Department of Finance supports the intent of this legislation to address vacant properties in the City, but does not believe that the fee proposed will achieve this goal and may actually negatively impact other City efforts. There are concerns about 311 being the source data for this fee, as well as the impact of these fees on investments with vacant properties.

For the reasons stated above, the Department of Finance opposes City Council Bill 22-0204.

cc: Michael Moiseyev
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