


FROM	NAME & TITLE	Bob Cennane, Deputy Finance Director <i>RC</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall		
	SUBJECT	City Council Bill 22-0206 Vacant Structures – Registration Fees and Penalties		

DATE:

TO

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

January 19, 2024

Position: Oppose

The Department of Finance is herein reporting on City Council Bill 22-0206 Vacant Structures – Registration Fees and Penalties, the purpose of which is to revise the registration process and modify the registration fees for vacant structures. The proposed legislation would also modify the penalties applied to vacant structures in violation of City Code.

Background

Article 13, Subtitle 4 of Baltimore City Code currently requires all vacant structures to be registered with the City at an annual rate of \$100 per residential structure and \$250 for all other structures. This legislation would change the registration from an annual fee to a one-time registration fee, and it would increase the amount to \$300 per residential structure and \$500 for all other structures. The vacant structure registration would be valid for 6 months and there would be an additional \$50 renewal fee for each registration renewal. All of the above listed fees would be increased to \$500 if the resulting registration or renewal occurs following a violation or is done so in a matter neither voluntarily or timely. Upon registration renewal, there could be additional penalties incurred of \$500, increasing over time, if the vacant structure has any unabated violation notices or orders issued under the Baltimore City Code.

The current registration fee schedule for vacant structures was originally enacted in June 2010 with the passage of City Council Bill 10-0516 (Ordinance 10-342). Since that time, additional steps have been taken to hold the owners of vacant structure responsible, including the conspicuous posting of ownership information on vacant properties (City Council Bill 19-0429/Ordinance 20-428). There have also been citywide workgroups developed to help tackle the vacant housing concerns within the City.

In Washington, D.C., a similar registration fee schedule exists which requires both an initial and an annual registration fee of \$250 for properties vacant for 30 days or more. Failure to register could lead to a penalty of between \$1,000-\$2,000. The City of Philadelphia requires owners of unoccupied residential properties to apply for a Vacant Residential Property License with an annual renewal. This requires a \$165 initial license fee along with a \$20 application fee, and each license renewal is an additional \$165.

Fiscal Impact

In general, the Finance Department considers that any initiative pursuing adjustments to City fees should be in accordance to the City’s fee policy, which intends to provide guidance in determining the appropriate level for fees based on City costs for providing services.

The policy establishes that City fees should be reviewed and updated on an ongoing basis to ensure that they keep pace with cost-of-living and or levels of cost recovery.

The Finance Department interprets that the proposed legislation intends to accomplish two goals:

- Increase registration compliance of vacant structure by restructuring the fee schedule and increasing charges for delinquency, and
- Create incentives for non-compliance owners of vacant properties to either register or to initiate a process that could expedite the transfer of vacant structures for productive use.

There is no guarantee that the proposed legislation would accomplish either goal. Furthermore, the legislation could potentially have an undesirable impact by discouraging continued compliance of owners of registered vacant structures.

Between 2019 and 2021, an average of 3,446 residential vacant structures have been annually registered, with commercial vacant structures have annually averaged 117 during this period. The City has issued an average of 1,350 notices to owners of residential vacant structures and 41 notices to owners of commercial vacant properties per year, indicating that 26.9% of the vacant structures in the City remain unregistered. Additionally, the City issued 3,675 citations for Failure to File a Registration of a Vacant Building where only 41.3% were paid, the other 31.4% were still open a the other 27.3% were either voided or abated at the time of this analysis.

If this legislation has no impact in compliance, meaning that there is no change in the number of registered vacant structures, the Department of Finance estimates a decline of \$17,550 in revenues from vacant structure registration. The following table illustrates this estimate:

Vacant Structure	Current Law			Proposed Legislation			Difference
	Registered (Ave 19-21)	Annual Registration	Average Revenue	One-Time Registration*	\$50 Semi-Annual Renewal	Subsequent Year Revenue	
Residential	3,446	\$100	\$344,600	\$300	\$100	\$344,600	\$0
Commercial	117	\$250	\$29,250	\$500	\$100	\$11,700	-\$17,550
Total	3,563		\$373,850			\$356,300	-\$17,550

* The table below assumes that current registered vacant structures will not pay the proposed one-time registration fee

Under this scenario, current owners of registered vacant structures will not have to pay the one-time registration proposed by the legislation, but they will proceed with renewal twice a year. It is unclear how a semiannual renewal process would benefit owners of registered vacant structures, but this additional step in the process could discourage registration and further increase abandonment of vacant structures.

The proposed legislation is also intending to enforce penalties on owners of registered vacant structure if other unabated violation notices are current at time of registration renewal. The fiscal impact of the

proposed legislation cannot be estimated, but the Finance Department considers that the proposed penalty structure will also discourage owner of properties in compliance with the vacant structure law to register and periodically renew registrations.

Finally, it is estimated that the implementation of the proposed legislation will be carried within existing resource. However, handling the potential increase of unregistered vacant structure and further abandonment of this type of properties would require additional City resources to be added to the budget. This includes an operational impact on DHCD's ability to implement this program.

Based on an assessment from DHCD, the agency would require at least 8 additional administrative staffers to coordinate the additional workload for the Property Registration and Licensing program if the legislation is approved as drafted. The agency would require (8) Office Support Specialist II positions which would have an annual cost of \$491,480. There would also be additional costs to update the existing software program for a more complex penalty schedule. This could add significant costs and delays to implementation, which would also delay agency training related to enforcement.

Other Considerations

Aside from the concerns expressed by DHCD in their bill response, there are additional concerns on potential outcomes of this legislation. In 2020, Baltimore City adopted legislation to develop an in-rem foreclosure process. Initial funding was provided in the Fiscal 2023 budget to begin implementing that process. An increase in penalties at this time could quickly push additional properties into the in-rem process at a time when the process is just underway. The Department of Finance believes that the process should be stabilized before any fee structures are modified.

Conclusion

For the reasons stated above, the Department of Finance opposes City Council Bill 22-0206 at this time.

Commented [BJ(D1)]: Fair to say?

cc: Michael Mocksten
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