



THE ROLLEY PLAN TO REDUCE BALTIMORE'S REAL PROPERTY TAX BURDEN AND GROW THE CITY'S FUTURE

INTRODUCTION:

“The biggest threat to Baltimore’s future is its continuing loss of population. Without enough residents we will not have the tax base needed to provide critical city services, improve education and rebuild our broken neighborhoods. We know that people want to live here, but can’t afford to. If we’re going to keep the residents we have and attract new ones, we need to dramatically cut property taxes. It’s not just possible – it’s necessary.”

-- Otis Rolley

The biggest long-term threat to Baltimore’s future is a continued loss of population. More than 30,000 residents left Baltimore during the past decade, putting additional financial pressure on the remaining residents and taxpayers. With continued population loss, Baltimore will not be able to maintain critical city services, rebuild our schools or address the deterioration of too many neighborhoods. If the situation does not change, Baltimore’s problems will become crises.

This is preventable. Unfortunately, many of Baltimore's politicians are in denial about this looming crisis, offering only weak half-measures, token incremental changes, or calling for further study instead of bold steps. They are managing Baltimore’s decline rather than leading Baltimore's recovery.

The current Mayor has argued that additional population is necessary to pay for property tax cuts, but high taxes are a financial impediment to repopulation. Otis believes we need to take action now to reduce property taxes in order to grow our population.

It is the continuing exodus from our city and the resulting widespread blight that is the clearest proof the current system is not working. According to the 2010 Census, Baltimore was the only jurisdiction in the state of Maryland to lose population and it is the only major city in the northeast corridor to lose population over the last decade.

The impact of high taxes isn’t just seen in the Census, of course, but also in resulting blighted neighborhoods. There are tens of thousands of abandoned properties in the city, scarring neighborhoods, dragging down the value of neighboring homes and providing a haven for criminal activity. Moreover, when homes are improved, the assessed value rises leading to a bigger tax bill. Arguably, one of the only times Baltimore’s government is truly efficient is when a property owner files for a permit to improve their property – which almost immediately is followed by a property tax adjustment.

That is why as Mayor, Otis Rolley will move to quickly fix our broken property tax system and begin cutting the property tax rate for every residential property owner. By establishing a multi-tiered rate that protects property owners and reduces blight, Otis plans to reduce the property tax rate by more than 50 percent for the vast majority of residents. Otis will also provide significant incentives for converting vacant office space to residences and finding other productive uses for other vacant buildings.

Otis' plan is built on a simple fact: people want to live in Baltimore, but do not feel they can because of high property taxes, low quality of education options, high crime or poor city services -- or some combination of all. Only by growing our tax base will we have enough revenues to properly fund education, improve safety and meet critical needs of new and existing city residents.

It is widely understood that Baltimore's highest-in-the-state property tax system serves as a deterrent to new residents moving into the city. It is also a disincentive to remaining in the city and investing in a property. Baltimore's rate, at 2.268 percent, is twice as high as any other county in Maryland. This makes it very expensive to own a home here. Consider this example of the same \$200,000 home:

Baltimore City	2.268% Tax Rate	\$4,536 Per Year	\$378 Per Month
Baltimore County	1.10% Tax Rate	\$2,200 Per Year	\$183 Per Month

A family considering where to buy a house can save almost \$200 a month --\$2,360 each year -- by simply deciding to live in Baltimore County. When factoring the level of crime and the underperformance of schools, it is not hard to see why people choose to leave.

Some members of the political establishment continue to argue against significantly reducing Baltimore's property taxes because the city "can't afford" lower taxes. That is only true if Baltimore continues doing what it has done for generations: providing services with little regard to whether those services promised and paid for are actually being delivered efficiently and effectively. That is a disservice to taxpayers and to citizens. That is why Otis' first policy paper was a plan to fundamentally rebuild government in order to hold elected officials accountable for results and increase efficient use of taxpayer resources.

Others, including the current Mayor, pin their hopes for property tax reductions on a casino that is yet to be formally bid on, much less awarded, approved or constructed. Under that plan, even under the most optimistic projections, the City is literally years away from receiving any relief. Given the underperformance of the state's currently operating casinos, even this meager reduction is an unwise bet regardless of its timing.

While the City has programs to address this blight -- such as the underwhelming and underperforming Vacants-to-Value program and tax breaks for connected developers -- these programs address the symptoms of the problem rather than the problem itself: high taxes. There would be little reason to give \$5,000 tax credits to certain preferred groups if taxes were lower. Baltimore needs and deserves a more equitable and fair real property tax system, bringing as many properties as possible onto the tax rolls, so that taxes can be lower for everyone.

Other cities have deeply and quickly cut property taxes and seen their population grow. They have found, and so will Baltimore, that with added population and a new commitment to city accountability, their tax base stabilizes and expands. As Mayor, that is the leadership Otis will provide.

Conduct a census of all property in the city. One of the most amazing things about the City of Baltimore is that it does not have complete, useable records of every property in its borders readily and publicly available. Immediately upon taking office, Otis will have the condition, use and tax status of all properties in the city reviewed and made available.

Cut property taxes for every homeowner, and most by over 50 percent. It is critical that the cost of living in Baltimore be reduced. As Mayor, Otis will take immediate and needed steps to cut property taxes for every primary residence in Baltimore, and increase the cost of owning blighted property. Otis' plan will create tiered system of tax rates that will dramatically reduce the burden on residents while continuing to provide stable, reliable city revenue.

Otis' plan will create the following system:

Residential properties:

- A 1.1 percent target rate on the first \$200,000 of assessed value (there are 124,026 property accounts listed as principal residences; at this rate, there will be approximately \$180 million in taxes assessed);
- A 1.75 percent target rate on value above \$200,000 (there are 90,216 property accounts listed as principal residences; at this rate, there will be approximately \$60 million in taxes assessed).

This model represents a significant tax cut for every residential property owner in the city, and more than 50 percent for most homeowners (78 percent of primary residences are valued at or below \$200,000). Otis' strategic property tax plan maintains approximately 75 percent of the city's real property tax revenue, before any increased taxes and fees for vacant or blighted property or additional revenues from a growth in population or property values.

There are some who will argue that Baltimore cannot afford to "lose" revenue by cutting taxes. Otis believes that there are substantial opportunities to make Baltimore's bloated government more efficient and effective as detailed in "The Rolley Plan to Rebuild Baltimore's Government".

In year three of the plan, property taxes would be reduced for all Baltimore homeowners. The rate would fall by 0.146 every year for eight years. Each year it would become more affordable to own and enjoy a home in Baltimore. Here is what it would look like for a family owning a \$200,000 home in Baltimore.

Year	Tax Rate	Annual taxes	Monthly Taxes	Monthly Savings
1	2.268	\$4,536	\$378	N/A
2	2.268	\$4,536	\$378	N/A
3	2.122	\$4,244	\$353.67	\$24.33
4	1.976	\$3,952	\$329.33	\$48.67
5	1.83	\$3,600	\$300	\$78.00
6	1.684	\$3,368	\$280.67	\$97.33
7	1.538	\$3,076	\$256.33	\$121.67
8	1.392	\$2,784	\$232	\$146.00
9	1.246	\$2,492	\$207.60	\$170.40
10	1.1	\$2,200	\$183.3	\$194.70

Raise taxes and fees on vacant and blighted property to encourage its stabilization. Otis will give absentee and negligent property owners one years' notice to address their problem properties before the new, higher rates and fees kick in. By cleaning and maintaining a vacant lot, owners would see an immediate tax cut. By rehabbing a structure, owners would receive an immediate tax cut to, at a minimum, the current rate of 2.268 percent, and maybe lower depending on when the rehab is complete.

Non-blighted vacant land:

- Would be taxed at the current rate of 2.268 percent (current records are incomplete);

Blighted properties:

- A 5 percent tax would be levied on blighted vacant land (current records are incomplete); and

- A 10 percent tax would be levied on blighted structures (current records are incomplete).

One thing that makes Otis' plan different from other plans is that it is not structured in such a way as to compel development on open space in neighborhoods that is privately owned. Otis is a city planner and he believes open space in neighborhoods, even if it is just an open lot, is an important part of making city neighborhoods stronger.

Increase code enforcement. For this program to work, it is critical that enforcement of current codes be fully, and aggressively, pursued. As Mayor, Otis will ensure that code enforcement is a renewed priority of the Department of Housing and Community Development. No longer will quality homeowners be penalized while those who take value from neighborhoods through neglect and abandonment do so without consequences.

Provide a 10-year property tax abatement for new conversions and rehabs. It is undeniable that for Baltimore to thrive, both its downtown and its neighborhoods need support. Unfortunately, vacancy rates in Baltimore's downtown office space are above 20 percent, rivaling Detroit's. An economically vibrant urban core is as important as strong neighborhoods.

As Mayor, Otis will move to create a 10-year property tax abatement – a full abatement – of taxes levied on improvement for offices and hotels that are converted into condos and primary residences. The builders and subsequent unit owners will still have to pay property taxes on the old value of the property (at the reduced rates outlined above), but the improvements would be tax-free for 10 years.

This program has proven to be an unqualified success in cities like Philadelphia, which has seen a boom in new construction in its Center City after the enactment. In the program's first 10 years, Philadelphia leaders say the abatement helped fuel \$4 billion in construction activity. Moreover, a study for the city's Building Industry Association (BIA) found that the program has “generated significant market spillover, creating hundreds of millions of dollars of increased property wealth for City property owners and residents.” [BIA report, 6/06]

Otis' plan allows Baltimore to responsibly cut taxes while providing real incentives for new residents and businesses. Reducing property taxes is not something Baltimore “should do,” it is something it “must do” if we are going to increase our population and maintain the revenue needed to meet our real needs. As Mayor, Otis Rolley will provide the leadership to get it done.