Funding Fair Development in Baltimore City

More than 15,000 sales in Baltimore last year involved non-owner-occupied properties (nearly 75 percent of all transactions). An estimated 20 percent of these properties were vacant and abandoned. This cycle of property sales and resales often benefits investors, hedge funds and slumlords while leaving neighborhoods with chronically vacant properties, unsafe rental housing and fewer affordable homeownership opportunities.

A fully funded Trust Fund would address the housing crisis affecting too many residents by empowering communities and supporting development of quality, affordable housing as part of broader neighborhood redevelopment plans. Baltimore’s neighborhoods are often left out of the tax and zoning breaks that benefit larger developments. The Fund the Trust Act would help direct critical investment toward neighborhood development for Baltimore residents.

The Impact of the Fund the Trust Act

The new surcharge would generate approximately $20 million annually for the Trust Fund. That $20 million would generate 1,000 new jobs and 400 new homes each year. It would also allow homeowners to fix up and stay in their homes, communities to reclaim vacant properties, and all of us to build a Baltimore where everyone has a decent place to call home.

Pittsburgh’s Housing Opportunities Fund

In December 2017, Pittsburgh enacted legislation to raise its real estate transfer tax by 1 percent (4.5 percent total in 2018 and then 5 percent in 2020) with all proceeds going to its Housing Opportunities Fund. Pittsburgh will use these funds to rehab 270 units of rental housing, create 234 new units of for-sale housing and provide assistance to another 180 families. While in the early stages, there has been no negative impact on Pittsburgh’s housing market or development since the surcharge was enacted.

FAQs

Doesn’t Baltimore City already have a high property tax?
This is not a property tax increase. This is a one-time surcharge on the transfer of real property interests by for-profit owners, businesses and trusts. It would not apply to property transfers to people who intend to live in the home.

Won’t this result in higher rents?
No. Research shows that these small, one-time, transaction-based fees do not increase rents or negatively affect home sales volumes.*

*Note: Transfer fees may reduce sales price to the seller but do not decrease sales volume or increase overall prices/rents. Slemrod et al., The Behavioral Response to Housing Transfer Taxes: Evidence from a Notched Change in D.C. Policy, 3 Apr. 2016; Sturtevant, Lisa, Separating Fact from Fiction to Design Effective Inclusionary Housing Program, 5 May 2016.

How does this compare to other jurisdictions?
While Baltimore City’s current 2.5 percent local transfer and recordation fee (3 percent total when the state’s 0.5 percent fee is included) is slightly higher than other Maryland jurisdictions, it is in keeping with other major cities in our region.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>Baltimore City</td>
<td>3.0%*</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>4.1%</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>4.5% (5% in 2020)</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>2.9% (on transactions over $400,000)</td>
</tr>
<tr>
<td>Wilmington</td>
<td>4%</td>
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</tbody>
</table>

*Note: The Fund the Trust Act would effectively increase Baltimore’s transfer and recordation tax to 3.5% on non-owner-occupied properties, or 4% when the state’s 0.5% fee is included.

What will the Trust do?
Money from the Trust can be used to rehabilitate vacant homes, develop affordable housing for renters and homebuyers, operate community land trusts, provide rental vouchers, and provide housing-related services to families with low incomes and persons with disabilities. There are over 700 housing trust funds throughout the U.S. that provide over $1.2 billion annually in assistance.

Who will manage the Trust?
The Trust will be managed by a community-based board in partnership with the Baltimore City Department of Housing and Community Development. Giving power back to the community is a key component of how the Trust was designed.

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