



THIRU
MAYOR

Reduce Property Taxes

For too long, Baltimore City residents have paid twice as much in taxes as property owners everywhere else in the state, despite soaring crime and broken schools. High property taxes discourage families and businesses from investing and staying in Baltimore.

Here's Thiru's plan to gradually and responsibly reduce taxes:

- **Cut property taxes in half over the next decade to match rates of neighboring counties**
- **Remove at least \$40 million in waste and fraud through 1.5% annual reductions per agency and by conducting rigorous public audits every year**
- **Seize property from absentee slumlords and speculators to grow affordable housing stock**
- **Raise taxes on unused, vacant, and abandoned property**





BALTIMORE'S RESPONSIBLE PATH TO COMPETITIVE, COMMON SENSE PROPERTY TAXES

Mayoral Candidate Thiru Vignarajah Pledges to Reduce Property Taxes by Half over Next Decade to Stem Population Loss; Cut \$40 Million in Wasteful Spending to Bring Discipline to Agency Budgeting; Raise Taxes on Vacant Homes to Spur Investment

For too long, Baltimore City residents have paid twice as much in property taxes as everyone else in Maryland. With soaring crime and broken schools, this tax rate has become harder and harder to explain. High property taxes discourage families and businesses from investing in Baltimore and are regularly cited by residents and companies who leave the city as one of the main reasons why.

While taxes cannot be realistically cut in half overnight, they can be gradually and responsibly reduced to county levels with a clear disciplined plan. Thiru's proposal, set forth below, explains the mechanics of how it will be done, what revenue reductions will mean, how the city should prepare for these cuts, and what compensatory actions the city will take.

Highlights of the plan include:

- **Reduce property tax rate by half** over the next decade. By reducing the current property tax rate of \$2.25 per \$100 of assessed value by \$.11 each year for 10 years, we can achieve a tax rate of \$1.15 per \$100 of assessed value, at the same level as neighboring counties.
- **Cut \$40 million in waste and fraud**, requiring agencies to identify 1.5% annually in wasteful spending based on annual top-to-bottom **citywide audits**.
- **Raise taxes and penalties** on absentee real estate speculators on **unused, vacant properties**.
- Pursue legal action to **seize property from absentee slumlords and speculators** on vacant and abandoned properties with unpaid taxes and persistent code violations. Tax increases and legal action will not be directed at property in residential or commercial use.

Making real change on complex issues is something Baltimore's career politicians have struggled with. This plan sets Baltimore on a responsible path that is long overdue, a path that will require dedicated commitment and smart leadership and will lay the necessary foundation to make Baltimore the great city it is destined to be.



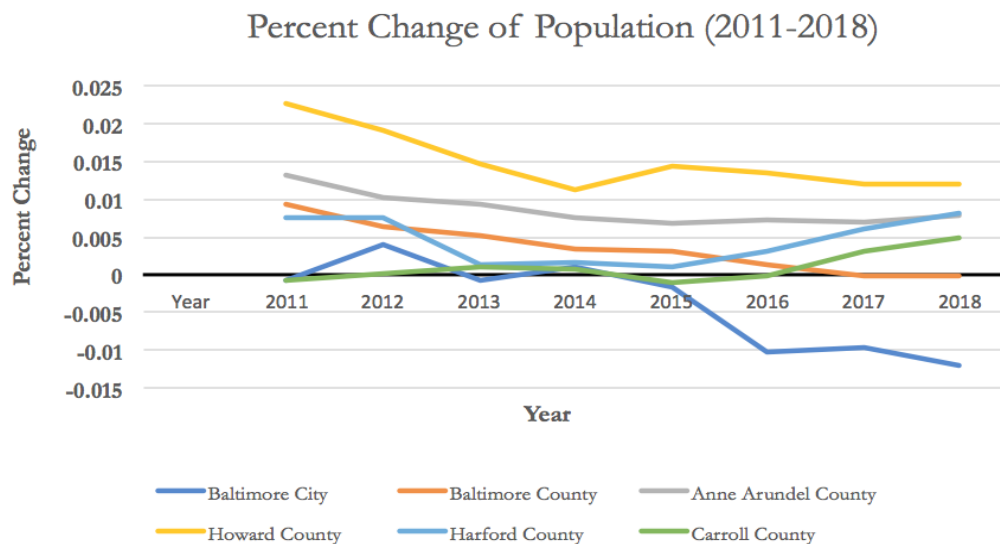
BACKGROUND

Baltimore City's tax rate is higher than all its neighboring counties, a disparity made only less defensible by a comparison of the state of crime and education in these jurisdictions.

| | Tax Rate | 5 Star Schools | Homicides (2017) |
|-----------------------|--------------|----------------|------------------|
| Baltimore City | 2.25% | 3 | 342 |
| Anne Arundel County | 0.91% | 5 | 21 |
| Baltimore County | 1.10% | 26 | 35 |
| Carroll County | 1.02% | 17 | 0 |
| Harford County | 1.04% | 10 | 10 |
| Howard County | 1.01% | 31 | 5 |

Sources: Maryland Department of Assessments and Taxation. (2019). 2018-2019 County & Municipality Tax Rate; Howard County Department of Finance. (2019). Tax Rate Schedule; Bowie, L., & Richman, T. (2018, December). Maryland releases first star ratings for every public school- 60 percent earn four or five stars out of five. *The Baltimore Sun*; Baltimore County Government. (2019). Police Executive Table, 2018 versus 2017; Anne Arundel County Policy Department. (2018). 2018 Annual Report; Howard County Maryland. (2018). Howard County Policy Department Annual Report 2018; Anderson, J. (2019, January). Majority of Baltimore homicide victims in 2018 were shot in the head, analysis shows. *The Baltimore Sun*.

It's no wonder more and more residents and businesses are leaving Baltimore City for neighboring counties every year. Some 7,346 residents — over a percent of our population — left last year alone. And as the population has declined in Baltimore City over the past decade, the population in every surrounding county has grown.



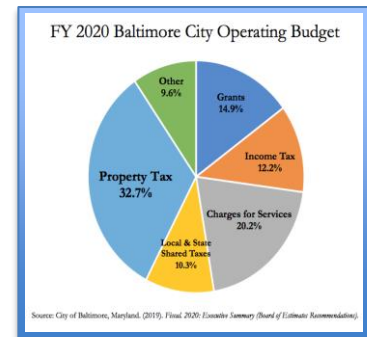
Population Count of Baltimore City and Surrounding Counties (2010-2018)

| Year | Baltimore City | Baltimore County | Anne Arundel County | Howard County | Harford County | Carroll County |
|------|----------------|------------------|---------------------|----------------|----------------|----------------|
| 2010 | 620,961 | 805,229 | 537,631 | 287,085 | 244,826 | 167,134 |
| 2011 | 620,442 | 812,797 | 544,744 | 293,579 | 246,704 | 167,019 |
| 2012 | 622,973 | 818,023 | 550,311 | 299,213 | 248,556 | 167,032 |
| 2013 | 622,497 | 822,238 | 555,438 | 303,583 | 248,892 | 167,199 |
| 2014 | 623,165 | 825,006 | 559,691 | 306,998 | 249,330 | 167,317 |
| 2015 | 622,150 | 827,471 | 563,502 | 311,449 | 249,589 | 167,133 |
| 2016 | 615,849 | 828,616 | 567,665 | 315,619 | 250,361 | 167,110 |
| 2017 | 609,841 | 828,603 | 571,592 | 319,374 | 251,890 | 167,620 |
| 2018 | 602,495 | 828,431 | 576,031 | 323,196 | 253,956 | 168,429 |

Sources: Zhang, C. (2019). Baltimore sees biggest population loss in single year since 2001, census estimates show. *The Baltimore Sun*; Nocera, J. (2019). Howard County is highest in Maryland for population growth over eight-year period. *The Baltimore Sun*; Duncan, I. (2018). Baltimore population decline continues, Census estimates show. *The Baltimore Sun*; Baltimore County Maryland. (2019). *County Demographics*.

To be sure, property taxes drive 32.7% of Baltimore's FY 2020 \$2.9 billion operating budget. As a result, Baltimore cannot precipitously slash its tax rate without borrowing from the state or federal government or without significant reductions in services, neither of which is prudent or palatable.

But this should not paralyze us. The proposed plan will make long-term commitments to make our business environment competitive, require a disciplined approach to the city's fiscal responsibilities, and generate revenue in ways that will spur investment and growth.



For too long, Baltimore has lacked an aspirational vision and a tactical plan for how to get there. Instead, from tax policy to crime policy to how we approach schools and transit, we have recycled and repackaged the same stale policies that got us into this place. This tax plan is part of the strategy to get us out.

I. Cut property tax rate in half over the next decade

Baltimore will responsibly cut property taxes while improving services by reducing the property tax rate by \$.11 per \$100 of assessed value each year for 10 years until it is competitive with neighboring jurisdictions. Over the decade, for a \$200,000 home, this will save a homeowner over \$12,000.

| Proposed Set Property Tax Rates Over Ten Year Period | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| 2.25 | 2.14 | 2.03 | 1.92 | 1.81 | 1.70 | 1.59 | 1.48 | 1.37 | 1.26 | 1.15 |

Under this plan, Baltimore City will adopt this preset schedule of tax reductions. As Mayor, Thiru will require budgets prepared and ratified by City Hall to adhere to this schedule and will fix this schedule in a charter amendment.



II. Crack down on fraud and require agencies to identify 1.5% annually in wasteful spending


Thiru will direct agency heads to crack down on waste, inefficiency, and fraud and prepare disciplined budgets consistent with the schedule of tax rate decreases. Unjustifiably high taxes are particularly offensive when taxpayers learn how their money is being misspent. Examples abound:

POLITICS

Baltimore health department wasted \$170,000 from lead paint fines on unused giveaways and travel, report finds

By failing to police police overtime, Baltimore's leaders are failing us all


Investigation concludes Baltimore DOT wasted \$215K+ of city money



Waterjet Machine - Mach 2 2040C
Photo provided by the Office of the Inspector General

OIG Report: Baltimore Police marine unit misspent \$30k on boat salvage

Mayor's aide spent 10 days at Austin music festival, now seeks retroactive pay



Culture of Waste

Baltimore mayor and two aides stayed in \$400-a-night hotel rooms in Washington — more than normal spending cap

Baltimore City Council president and vice president to spend four nights in \$300 hotel rooms for Washington conference

• UPDATE: The reimbursement was approved, without discussion or objection, this morning. Young abstained, his two appointees (Rudy Chow and Andre Davis) approved. As did City Council President Brandon Scott and Comptroller Joan Pratt.

These are the examples that have come to the surface, confirming there is significant waste and fraud that is going unchecked. Under Thiru's plan, budget drafting will be informed by an independent audit of all agencies with a commitment to cut \$40 million annually in fraud and waste.

Even without greater discipline in agency budgets, there are several reasons why city revenue is projected to grow as property taxes are lowered.

First, as cities like Boston and San Francisco have seen, pinning property tax rates can halt population flight and instigate growth, which will generate both more property and income tax revenue in Baltimore. This is consistent with analyses conducted by area economists like the Sage Policy Group. Principles of microeconomics and common sense also hold that when property taxes go down, property values naturally and inevitably increase. This is because new home purchases are based on price points determined by homeowners' maximum monthly payment. For example, a family willing to purchase a home at \$500,000 at a property tax rate of 2.2% will pay the same in property taxes (\$11,000) as a family that purchased a home at \$550,000 with a tax rate of 2.0% (\$11,000).



III. Raise property taxes and penalties on unused, vacant properties

Even as Thiru reduces property taxes for property in active commercial and residential use, his plan will increase code violation penalties and property taxes on vacant properties being held at virtually no cost by property speculators, many of whom are not even based in Baltimore or Maryland. This kind of strategy has generated millions in revenue for cities like Washington, D.C., which raised the commercial property tax rate for vacant property from \$1.65 to \$5 for \$100 in assessed value and to \$10 per \$100 of assessed value for blighted property. The prospect of increased taxes would either prompt development, which would raise the property value and thereby generate additional revenue, or would prompt the sale of the property to a property owner prepared to make active use of the land.

IV. Seize vacant property with unpaid taxes and code violations

Baltimore loses significant potential tax revenue each year because of “hypervacancy” — a term referring to neighborhoods where vacant buildings comprise more than 20% of that area’s housing stock. The level of hypervacancy in Baltimore increased from 7.5% of census tracts across the city in 1990 to more than 30% by 2018.

Following a model adopted by St. Petersburg, Florida, Baltimore will fight blight and generate revenue by taking ownership of vacant property with delinquent taxes or persistent code violations and sell them on auction or to affordable housing developers to further programs like Vacants to Value. In St. Petersburg, 800 vacant homes across the city owed \$4 million in liens and unpaid assessments. Pursuing legal action reduced vacant homes by 75% in 4 years and generated \$2.1 million in revenue. Baltimore has 17,000 vacant homes.

CONCLUSION

This plan is meant to reflect a new kind of leadership for Baltimore at a time when taxpayers are desperate for change. Lowering property taxes will not alone reverse the current crisis. But alongside fighting crime and corruption, strengthening our schools and transit grid, and addressing the inequities that define too many neighborhoods, a competitive, commonsense tax rate will create the climate Baltimore needs to attract investment, create jobs, and most importantly grow our population.

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