October 4, 2024

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: David Noto
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-080-2024 Vacant Property Tax Rate

CB-080-2024 (*Proposed by:* Council Chair Ivey)

Assigned to the Government Operations and Fiscal Policy Committee

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AN ACT CONCERNING THE VACANT REAL PROPERTIES TAX RATE for the purpose of establishing a real property tax rate for real properties consisting of vacant houses/buildings or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice.

Fiscal Summary

Direct Impact

Expenditures: Potential increase in expenditures to create the necessary infrastructure to effectively implement the Vacant Property Registry Program.

Revenues: Likely significant increase in revenues from the increased property tax placed on vacant properties.

Indirect Impact

Likely Favorable

Legislative Summary:

CB-080-2024, proposed by Council Chair Ivey, was presented on September 17th, 2024, and referred to the Government Operations and Fiscal Policy Committee. This bill would create an impetus for reducing the amount of vacant real properties by imposing a tax rate on said vacant real properties. Vacant real properties in the County would be subject to two-and-a-half (2 ½) times the regular tax rate levied for State and County purposes twice a year.

Background/Current Law:

State Law:

In the 2024 Regular Session of the General Assembly, under § 6-202.1. of the Tax Code, the state granted "the governing body of a county may establish, by law, a subclass of real property consisting of vacant lots or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice[1]." This enables the County to set tax rates on real property consisting of vacant lots or improved property cited as vacant and unfit for habitation and impose taxes on said vacant properties.

Relevant legislation from Other Jurisdictions:

The District of Columbia, in the "Fiscal Year 2011 Budget Support Act of 2010", established two new tax rates, one for vacant commercial and residential properties and one for "blighted" properties[2]. Vacant properties are taxed at $5.00 per $100 of assessed value, which is more than 5 (five) times the residential rate, and blighted properties are taxed at $10.00 per $100 of assessed value, or just under twelve times the residential rate within the District[3]. A blighted building is a vacant building that has been determined by District's Department of Buildings to be "unsafe, insanitary, or which is otherwise determined to threaten the health, safety, or general welfare of the community[4]." In order for the District to successfully set up this new tax structure, the District also needed to set up a Vacant Property Registration System[5]. The purpose of the District's vacant property registration system was to create financial disincentives for property owners to leave their

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[1] View Document - Maryland Code and Court Rules (westlaw.com)
[2] Vacant Real Property | otr (dc.gov)
[3] Ibid
[4] Ibid
[5] D.C. Law 18-223. Fiscal Year 2011 Budget Support Act of 2010. | D.C. Law Library (dccouncil.gov)

properties vacant, rather than putting them back into productive use[6]. In addition, it penalized those property owners who allowed their buildings to fall into such serious disrepair as to become a visual and physical blight on the neighborhood, as these buildings often pose a danger to the neighborhood. Blighted buildings also tend to have an adverse impact on the property values of inhabited properties nearby and on the morale of the community[7]. Mayor Bowser's FY 2018 budget included an addition $4.6 million for the purpose of supporting the District's Department of Consumer and Regulatory Affairs' (DCRA) ability to complete additional abatement activities for vacant and blighted properties[8].

Current Law:

In October of 2023, the County Council passed CB-080-2023, which created a Vacant Property Registry Program, which applies to unmaintained vacant real properties located in the County[9]. It provides for these properties be placed on a vacant properties' registry list with a fine of $1,000 for the designation. The Department of Permitting, Inspections and Enforcement (DPIE) was responsible for developing, populating, and maintaining the registry[10]. DPIE was also required to develop an annual report that would be submitted to the County Executive and County Council on the status of the registry list and the properties on the list, to include: the County Council District and zip code of each vacant property; a summary of violations; the number of citations and the number of fines collected from each owner over the course of the previous calendar year[11]. Analysis completed at the time indicated that CB-080-2023 would probably have an adverse fiscal impact due to an increase of administrative costs in relation to staffing at DPIE to fulfill an increased number of inspections. At the same time, there was also the potential for a favorable fiscal impact associated with the collection of fines in relation to violations as well as, a potential increase of property taxes from previously abandoned properties over time[12]. At the time, DPIE had 4 (four) vacant housing inspectors for the entire County and stated that they would need ten (10) additional inspectors, plus vehicles, phones, and computers for those additional inspectors, as well as administrative staff to maintain the registry[13]. As of the FY 2025 budget there are still only 4 (four) property standards code enforcement officers employed by DPIE[14].

Resource Personnel:

- Leroy Maddox, Legislative Officer

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[6] Microsoft Word - FY2011 Vacant Property Guide _LKA edits_.doc (dc.gov)
[7] Ibid
[8] Vacant.Blighted.Report.9.21.17.pdf (dcauditor.wpenginepowered.com)
[9] Prince George's County Council - Reference No. CB-080-2023 (legistar.com)
[10] Ibid
[11] Ibid
[12] Ibid
[13] Ibid
[14] 2025 Fiscal Year Approved Budget | Prince George's County (princegeorgescountymd.gov)

Discussion/Policy Analysis:

CB-080-2024 is similar in concept to DC's Fiscal Year 2011 Budget Support Act of 2010 in that it establishes a new tax rate for vacant properties, although CB-080-2024 does not include language separating vacant and blighted buildings. Nonetheless, the District's bill can provide an indication of how the proposed legislation would work and the financial benefit the legislation might provide to the County.

According to the Department of Buildings' website, there are currently 3,474 vacant properties in the District[15]. As stated by the terms of DC's vacant property program, if DCRA (now the Department of Buildings) determined that a property is vacant or blighted, it is to send a vacant notice to the property owner and issues the owner a $2,000 notice of infraction for failing to register. Owners who fail to register after receiving DCRA's notice of vacancy face an additional $1,000 penalty[16]. DCRA reported to the D.C. Council that it collected $142,000 from vacant building registration fees and had collected nearly $53,000 from vacant property infractions in 2015[17]. Furthermore, the Department collected almost $13 million in property taxes from 958 vacant and blighted properties in FY 2015[18]. Despite this, a 2017 report from the DC Auditor found there were numerous bureaucratic errors committed by DCRA, leading to almost $1 million in lost revenue for the District, just from a sample of 31 properties[19]. With that being the case, it is reasonable to assume that Prince George's County could reap a similar financial benefit from establishment of a vacant property tax program.

Fiscal Impact:

- *Direct Impact*

As was alluded to above, once the rollout of the Vacant Property Registry Program occurs, the proposed legislation has the potential to provide an important new revenue stream for the County. However, this is intrinsic upon successful establishment of the Vacant Property Registry Program. Furthermore, without that program, it is impossible to accurately estimate how much revenue the proposed legislation could provide to the County. However, an analysis of average home prices[20][21], the residential property tax rate[22][23] and the number of households in both the District and in the County[24][25], assuming that the rate of homeownership is consistent across both

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[15] Workbook: DOB Public Dashboard (dc.gov)
[16] Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program - Office of the DC Auditor
[17] Ibid
[18] Ibid
[19] Ibid
[20] Prince Georges County, MD Housing Market: 2024 Home Prices & Trends | Zillow
[21] Washington, DC Housing Market: 2024 Home Prices & Trends | Zillow
[22] Taxes | Prince George's County (princegeorgescountymd.gov)
[23] The 5 Things To Know About DC Property Taxes (urbanturf.com)
[24] U.S. Census Bureau QuickFacts: District of Columbia
[25] Prince George's County, Maryland - Census Bureau Profile

jurisdictions, would lead to the conclusion that the County could expect slightly less revenue from the proposed legislation than the District receives through it's vacant property tax, perhaps slightly more than $10 million, compared to the District's $14 million.

- *Indirect Impact*

The proposed legislation ought to dissuade property owners from allowing properties to become vacant if possible. Additionally, the stimulus of this legislation should speed up the process of renovation of blighted properties, thereby improving the property values of nearby homes. Furthermore, the additional income brought in by the proposed legislation will support many necessary services for families throughout the County, thereby allowing more people to stay in their homes and creating a positive feedback loop.

- *Appropriated in the Current Fiscal Year Budget:*

No.

Effective Date of Proposed Legislation:

The proposed Act shall take effect forty-five (45) calendar days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.