


Council Agenda Report

Date: March 27, 2017
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Submitted by: Sandra Tripp Jones 
SUBJECT: Proposed Property Tax Increase from .007989 to .008878

Recommendation: That Council:

- A. Hear a presentation from staff
- B. Hold a public hearing on the proposed property tax increase
- C. Conceptually approve maintaining the personalty tax at 1.69 per \$100
- D. Conceptually approve a property tax increase from .007989 to .00878 and approve use of the revenue generated from the increase to maintain services, repair the 300 block of High Street and establish a reserve for housing blight removal.

Discussion:

Personalty Tax

The City anticipates stable assessments from Fiscal Year 17 to Fiscal Year 18. Staff suggest the City maintain the tax rate at \$1.69 for \$100. The anticipated revenue generated from personalty taxes is \$915,000.

Real Estate Tax

On a rotating basis, every three years, the State of Maryland Department of Assessments reassesses property values. The City of Cambridge was reassessed to be effective Fiscal Year 2018. Assessed values went from 732,987,470 to 715,998,789 or a decrease of 2.3%.

Scenario 1

In order to maintain the same potential revenue of 5,855,837, the tax rate would have to change the constant yield (the property tax rate that, when applied to new assessments, will result in receiving the same revenue in the coming taxable year that was produced in the prior taxable year.)

Without increasing to the constant yield, the taxable revenue will decrease by approximately \$130,000. In order to keep the same revenue, the tax rate will increase .00019.

| | Old rate | Without increase | Constant yield |
|------------------------|-----------------|-------------------------|-----------------------|
| | 2017 | 2018 | 2018 |
| Assessed Base | 732,987,470.00 | 715,998,789.00 | 715,998,789.00 |
| Tax Rate | 0.007989 | 0.007989 | 0.008179 |
| Taxable Revenue | 5,855,836.90 | 5,720,114.33 | 5,856,154.10 |

Scenario 2

If the City were to generate an additional \$250,000 beyond the constant yield in property tax revenue, the tax rate would need to change from the constant yield of .008179 to .008528.

| | Constant yield | Increase |
|------------------------|-----------------------|-----------------|
| | 2018 | 2018 |
| Assessed Base | 715,998,789.00 | 715,998,789.00 |
| Tax Rate | 0.008179 | 0.008528 |
| Taxable Revenue | 5,856,154.10 | 6,106,037.67 |
| Increase | | 249,883.58 |

For a house valued at \$200,000, this would mean increase beyond the constant yield (or last year's tax) of \$70 a year.

Scenario 3

If the City were to generate an additional \$500,000 beyond the constant yield in property tax revenue, the tax rate would need to change from the constant yield of .008179 to .008878.

| | Constant yield | Increase |
|------------------------|-----------------------|-----------------|
| | 2018 | 2018 |
| Assessed Base | 715,998,789.00 | 715,998,789.00 |
| Tax Rate | 0.008179 | 0.008878 |
| Taxable Revenue | 5,856,154.10 | 6,356,637.25 |
| Increase | | 500,483.15 |

For a house valued at \$200,000, this would mean increase beyond the constant yield (or last year's tax) of \$140 a year.

Scenario 4

If the City were to maintain the constant yield and then increase the tax rate for two years to repair High Street and plan on short term housing rehabilitation, the City would raise the tax rate would .008878 as in Scenario 3. However, in the ordinance, the City would state the increase to maintain the constant yield (.008179) is ongoing and the additional .0699 to increase to .008878 would be for two years and then the rate would revert to .008179.

Secretary Holt has stated that the State will match any revenue dedicated for home rehabilitation due to the property tax increase.

| | Constant yield | Increase | Increase |
|------------------------|-----------------------|------------------|-----------------|
| | 2018 | 2018/2019 | 2020 |
| Assessed Base | 715,998,789.00 | 715,998,789.00 | 715,998,789.00 |
| Tax Rate | 0.008179 | 0.008878 | 0.008179 |
| Taxable Revenue | 5,856,154.10 | 6,356,637.25 | 5,856,154.10 |
| Increase | | 500,483.15 | |

Why Consider Increases?

Maintaining constant yield in property tax (\$130,000) will support maintenance of current services with no new cost to property owners, on average. An increase in property tax revenue of \$500,000 will provide new funds to apply to:

- 1) Funding repair of the 300 block of High Street over 2 years (\$250,000 per year – General Fund portion of total repair costs), and
- 2) Providing match funds (approximately \$250,000) for a grant application to establish a home rehabilitation program in the Pine Street Study Area where approximately 40% of houses surveyed are either blighted or at risk of blight. In addition, as mentioned, the State will match our tax increase dedicated to home rehabilitation 100%. City Council has adopted a Council Goal to address blight and the City's Economic Development Plan identifies blighted housing as an impediment to economic development.

Approved: