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In Baltimore, fewer and fewer people are paying their way

Marta H. Mossburg

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Back in 2005 and 2006 cranes dotted the skyline of the city. Grand projects like the Ritz-Carlton Residences, Silo Point luxury condominiums and HarborView Pier Homes were in the works. Baltimore seemed on the tipping point of a Renaissance and becoming an alluring alternative for D.C. workers who didn't want to pay D.C. real estate prices.

But those now-struggling projects, whose asking prices have plummeted in some cases by half, were just lipstick on a pig at the time. And the many empty units are now expensive monuments to an economic development strategy that has given breaks to a few well connected developers and to nonprofits at the expense of business, jobs, people — and tax dollars.

Documents obtained from the city Finance Department through a public information act request show why. Since 2000, the city has lost 2,000 properties from its tax rolls, according to the Finance

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Department. At the same time, the number of tax exempt properties has risen by about 4,800.

Rising property values on taxable property mean revenue has risen. But the amount of money the city is losing on tax exempt property is staggering. City documents show that $15 billion of Baltimore's total of $53 billion in property is not taxable. That translates to $340.2 million in lost revenue each year at the city's tax rate of 2.268 per $100 of assessed value. The $1 billion building project underway by **Johns Hopkins Hospital** in East Baltimore means lots of construction jobs, but the city will never reap the $22.7 million from it that a for-profit owner would have to contribute to city tax rolls each year.

Worse, the exempt property value should actually be much higher because taxable property is reassessed every three years while tax-exempt property is reassessed every six years. (There's no reason to assess more frequently since the state gains nothing from finding out how much it is not collecting except, perhaps, pangs of regret.)

To put things in perspective, property owned by charitable organizations in the city (not including educational and religious institutions) is worth as much as charitable-owned property in Anne Arundel, Baltimore and Montgomery counties combined. Every household filing a tax return in the city shoulders the burden for nearly $75,000 of exempt property. But that doesn't give the full picture.

Each of those counties save for Anne Arundel has a larger population than Baltimore, and all three are growing, have at least double the taxable income and a higher percentage of residents paying taxes. The math is horrible now and will only get worse if the city's population continues to decline at historical levels or even holds steady, as fewer taxpayers will have to shoulder more exempt property and receive fewer services. Since 1990, the city's population has dropped by more than 13 percent.

This is not to say we must blame nonprofits for the mess, as attracting them to the city has been a policy priority in the past generation. Whether or not some nonprofits, like the city's biggest nonprofit property holder, Johns Hopkins, and other hospitals should pay more for city services is a valid question. As the Sun's Jay Hancock has pointed out, "For top management, these institutions aren't nonprofit at all. So why do they continue to be tax-exempt?"

But the bigger issue is structural.

As Loyola University Maryland economist Stephen Walters said, "The pols complain about the non-taxable property issue all the time, but until the property tax rate goes down, a lot this bias (toward exempt property) will continue unabated. We're like a dog chasing its tail." That is to say, property taxes are so expensive in Baltimore that it's much easier to attract employers who don't have to pay them.

Almost everyone agrees the city's property tax rate, at least double that of the rest of the state, is a key reason behind the loss of people and business, but politicians have only tepidly championed the cause. The previous mayor convened a panel on the topic. The resulting report recommended cutting the rate to compete with surrounding jurisdictions. But like intellectual sheep, City Council members keep flocking to failed tax and spend policies to plug budget deficits each year.

Mr. Walters points out that the city could fund lower tax rates by privatizing as much city-owned property as possible. The proceeds from sales could be put into a trust fund and used to buy down the tax rate. He recommends selling the convention center, assessed at $171 million, and Baltimore's $496 million in public housing. Considering that the city can't even run its pools, much less a multi-million dollar hotel, and that public and housing have historically meshed like public and toilet, it's an astute idea.

For all those who want this city to thrive, it is also the one idea guaranteed to bring people and business back to city limits and the fairest way to spur growth in every neighborhood.

Marta H. Mossburg is a senior fellow at the Maryland Public Policy Institute and a fellow at the Franklin Center for Government and Public Integrity. Her column appears regularly in The Baltimore Sun. Her e-mail is ***martamossburg@gmail.com***.

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BruceGodfrey at 6:13 PM September 13, 2010
Very well written - thank you! It may be more like 2.5 times most of the other jurisdictions, taxing both real estate and business personal property such as inventory, fixtures, equipment and supplies. Baltimore's taxes are so high that they ought to be called the "Baltimore County Incentive Act."

Seriously, why would someone want to buy property right along the City/County Line on the City's side? Good public schools? Pretty much not, except for City and Poly/Western. Lower crime in the City? No chance. Lower taxes? Exactly the opposite. Better services City-side? I cannot think of any.

So if you live in Mount Washington city-side, you pay 2.6 times as much in taxes for weaker services than your neighbors just north. Ditto Dundalk, Curtis Bay vs. Orchard Beach, Rodgers Forge versus Homeland, Woodlawn versus Franklintown city side you name it. So it's just common sense that families with kids are going to bail the City for the County; if you are 42 and have two kids, the nightlife in Fells Point just doesn't mean much compared to safety and good schools.