

**ORDINANCE NO. 2689**

**AN ORDINANCE OF THE CITY OF SALISBURY TO GRANT A PROPERTY TAX CREDIT AGAINST THE CITY PROPERTY TAX IMPOSED ON CERTAIN REAL PROPERTY OWNED BY HABITAT FOR HUMANITY OF WICOMICO COUNTY, INC.**

**WHEREAS**, Habitat for Humanity of Wicomico County, Inc. (“Habitat”) is a local nonprofit housing organization with the stated goal of bringing strength, stability and self-reliance in partnership with families in need of decent of affordable housing; and

**WHEREAS**, in furtherance of its goal, Habitat regularly acquires residential properties within the corporate limits of the City of Salisbury (the “City”), on which it performs rehabilitation and/or new construction, significantly increasing the value of such properties, and ultimately transferring such properties to families in need; and

**WHEREAS**, the City seeks to incentivize and encourage Habitat’s ongoing rehabilitation and construction of residential housing within City limits; and

**WHEREAS**, granting Habitat a tax credit against the City property tax imposed on eligible properties (the “Habitat Tax Credit”) will encourage Habitat to acquire properties within City limits, which will further result in positive economic and social effects, including, but not limited to, reducing blight and increasing the inventory of residential housing in the City; and

**WHEREAS**, the City through the Finance Department shall process applications connected to the Habitat Tax Credit to ensure eligibility of a particular property for the tax credit; and

**WHEREAS**, the Mayor joins with the City Council in recommending the implementation of the Habitat Tax Credit; and

**WHEREAS**, the City’s establishment of the Habitat Tax Credit hereunder is authorized by Section 9-252 of the Property-Tax Article of the Annotated Code of Maryland.

**NOW, THEREFORE, BE IT ENACTED AND ORDAINED BY THE COUNCIL OF THE CITY OF SALISBURY, MARYLAND**, as follows:

**Section 1.** Title 3 of the Salisbury City Code, entitled “REVENUE AND FINANCE, be and hereby is amended by adding a new Chapter 3.19, titled “Habitat for Humanity Tax Credit”, as follows:

**Chapter 3.19 Habitat for Humanity Tax Credit**

**3.19.010 – Habitat for Humanity tax credit**

- A. In accordance with the provisions of the Tax-Property Article § 9-252 of the Annotated Code of Maryland, there is hereby established a City property tax credit of 100% for real property, provided that:**
- 1. The property is owned by Habitat for Humanity of Wicomico County, Inc. with the intention of relinquishing ownership within five (5) years from the date of acquisition;**

2. The property is used exclusively for the purposes of development, rehabilitation, and transfer to a private owner; and
  3. The property is not occupied by administrative or warehouse buildings owned by Habitat for Humanity of Wicomico County, Inc.
- B. Habitat for Humanity of Wicomico County, Inc. shall submit an annual report each year to the Mayor and Council of the City of Salisbury documenting:
1. All of the real property holdings of Habitat for Humanity of Wicomico County, Inc. in the City of Salisbury;
  2. All transactions involving the real property holdings referenced in the above subparagraph B(1); and
  3. The annual report shall be delivered to the City of Salisbury on or before July 15 and shall include all real property holdings as of the preceding June 30 and shall include the date of acquisition of each parcel of real property for which a credit is applicable on the preceding June 30.
- C. The tax credit for each property shall continue until such time as the property is transferred from Habitat for Humanity of Wicomico County, Inc. to a private owner, but in no event for more than five (5) years. When the tax credit ceases, the property and its assessment shall be reinstated on the City of Salisbury real property tax roll at the beginning of the next fiscal year.
- D. The allowance of the tax credit shall be administered by the City of Salisbury Finance Department.
1. In order to obtain the tax credit, Habitat for Humanity of Wicomico County, Inc. shall submit such documentation as the City of Salisbury Finance Department requires to determine the eligibility of a parcel of real property. The required documentation shall be provided upon acquisition of a property and shall include, but not be limited to, a copy of the property settlement agreement.
  2. If the Finance Department makes a finding of the ineligibility of a parcel for the tax credit, the Finance Department may disallow or revoke a tax credit, effective as of the date of ineligibility.
  3. The credit shall be allowed on and after September 1, 2021, and shall be pro-rated as of Habitat's date of acquisition.

**BE IT FURTHER ENACTED AND ORDAINED BY THE COUNCIL OF THE CITY OF SALISBURY, MARYLAND,** as follows:

**Section 2.** It is the intention of the Mayor and Council of the City of Salisbury that each provision of this Ordinance shall be deemed independent of all other provisions herein.

**Section 3.** It is further the intention of the Mayor and Council of the City of Salisbury that if any section, paragraph, subsection, clause or provision of this Ordinance shall be adjudged invalid, unconstitutional or otherwise unenforceable under applicable Maryland or federal law, such adjudication shall apply only to the section, paragraph, subsection, clause or provision so adjudged and all other provisions of this Ordinance shall remain and shall be deemed valid and enforceable.

**Section 4.** The recitals set forth hereinabove are incorporated into this section of the Ordinance as if such recitals were specifically set forth at length in this Section 4.

**Section 5.** This Ordinance shall take effect from and after the date of its final passage.

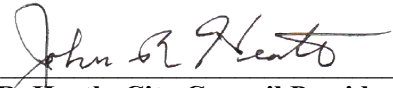
**THIS ORDINANCE** was introduced and read at a Meeting of the Mayor and Council of the City of Salisbury held on the 11<sup>th</sup> day of October, 2021 and thereafter, a statement of the substance of the Ordinance having been published as required by law, in the meantime, was finally passed by the Council of the City of Salisbury on the 25<sup>th</sup> day of October, 2021.

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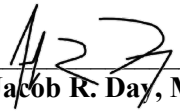
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**ATTEST:**

  
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**Kimberly R. Nichols, City Clerk**

  
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**John R. Heath, City Council President**

Approved by me, this 28th day of October, 2021.

  
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**Jacob R. Day, Mayor**



**To:** All Council Members  
**From:** Nathaniel Sansom, Special Assistant to the Mayor  
**Subject:** Habitat for Humanity of Wicomico County – Tax Credit  
**Date:** October 21, 2021

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The Administration’s request for an Ordinance establishing a Habitat for Humanity tax credit is outlined below.

**Current Situation & Request**

Habitat for Humanity of Wicomico County requested a real property tax credit for all future properties they acquire, as long as the properties are being developed. They requested a tax credit that would last for up to five years, from the time of property acquisition to sale. In return, they are willing to include a provision in the deed requiring that the property remains owner-occupied.

Habitat claims that they have “experienced a 4-fold increase in the cost of many construction materials”; furthermore, they “experienced a fire that created a total loss at 321 Martin and damaged 319 Martin to the point that it was not worth rehabbing”

Habitat of Wicomico has acquired three lots over the past twelve months and they intend to continue building houses in Salisbury.<sup>1</sup>

**Background – Wicomico County**

Since 2008, Habitat has acquired 16 properties in Wicomico County. According to data provided by Habitat, the sum total of all property values at the time of acquisition was \$493,259 and the combined value of these properties at the time of sale was \$1,894,700, resulting in a total of \$1,401,441 in property improvements<sup>2</sup>. The average length of time properties were under development by Habitat was approximately 2.88 years.

**Background – City of Salisbury**

Of these 16 properties, 13 were within the Corporate Limits of Salisbury. Of the 13 within Salisbury limits, 10 were purchased for a sum total of \$316,633.

When sold, these 10 properties had a valuation of \$1,157,700. The sum value of these 10 properties increased by \$841,067. These 10 properties spent an average of 3.1 years under development.

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<sup>1</sup> Refer to July 13, 2021 email from Molly Hilligoss

<sup>2</sup> Data provided by Habitat likely referring to Market value



### **Fiscal Note**

Based on the current City property tax rate of \$0.98 per \$100 of assessed value, according to data from the City Finance Department, the eleven (11) properties the Department found that are currently owned by Habitat currently generate \$1,596.72 annually in real property tax revenue.<sup>3</sup>

While the current annual realized cost of this program would be \$1,596.72, this would be subject to change based upon fluctuations in assessed property values and the number of properties Habitat owns that are eligible for the credit.

### **Legal Authority**

Tax-Property Article § 9-252, of the Annotated Code of Maryland enables Counties, Baltimore City, and Municipalities to provide a tax credit for Habitat for Humanity. Currently there isn't legal authority to provide a tax credit to Salisbury Neighborhood Housing Services, but we are developing solutions that would enable SNHS to receive the same benefit.

### **Examples from other jurisdictions**

Caroline County has established a Tax Credit for Habitat Properties that mirrors state enabling legislation.<sup>4</sup> Interesting components are underlined; do we want to mirror this?

- They require Habitat to provide information including “The date the property [was] transferred to Caroline County Habitat for Humanity, Incorporated; the amount of consideration paid to or received by Caroline County Habitat for Humanity, Incorporated; the names of all parties to the transaction; the purpose of the acquisition by Caroline County Habitat for Humanity, Incorporated; and the property's current use; and any other transactions involving these holdings.”
- Caroline also has a section adding that, “This real property tax credit shall take effect when an eligible property is transferred to Caroline County Habitat for Humanity, Incorporated. However, if Caroline County Habitat for Humanity, Incorporated, purchases the property rather than receiving it as a donation, the County shall reimburse Caroline County Habitat for Humanity, Incorporated, for county real property taxes paid at time of settlement. The tax credit shall cease as of the date of transfer from Caroline County Habitat for Humanity, Incorporated, to another owner. When the credit ceases, the property and its assessment shall be reinstated on the Caroline County real property tax roll, and taxes due shall be paid.”
- Saint Mary's County, MD has a very simple provision included in Chapter 267 (Taxation) of their code, (this also mirrors state enabling legislation).<sup>5</sup>  
One line I liked from their code was a clearly defined effective date, “The credit shall be allowed on and after July 1, 2011.”
- Cecil County also has legislation mirroring the state enabling legislation

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<sup>3</sup> August 24, 2021 email from Olga Butar

<sup>4</sup> <https://ecode360.com/8726678>

<sup>5</sup> [https://library.municode.com/md/st.\\_mary's\\_county/codes/code\\_of\\_ordinances?nodeId=PTIIGELE\\_CH267TAGE\\_ARTXXVIIIPTACRHAHUPR](https://library.municode.com/md/st._mary's_county/codes/code_of_ordinances?nodeId=PTIIGELE_CH267TAGE_ARTXXVIIIPTACRHAHUPR)



Their code stated that – “The tax credit for each property shall continue until such time as the property is transferred from Habitat for Humanity to another entity, but in no event for more than five years.”<sup>6</sup>

- Charles County also has similar legislation<sup>7</sup>
- Harford County has legislation similar to that of Cecil County<sup>8</sup>
- Anne Arundel County offered an abatement through legislation enacted in 2010 (SB 658)<sup>9</sup>. As their abatement was brought about through another legal mechanism it looks different, although it still provides a tax credit<sup>10</sup>

### **Recommendation**

The Administration requests that the Council adopt the attached ordinance to amend Title Three of the City Code of Ordinances to create this tax credit for Habitat for Humanity of Wicomico County, Inc.

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<sup>6</sup> <https://ecode360.com/15794136?noresponsive=true>

<sup>7</sup> <https://ecode360.com/27242105>

<sup>8</sup> <https://ecode360.com/15625757>

<sup>9</sup> <https://mgaleg.maryland.gov/mgawebsite/Search/Legislation?target=/2010rs/billfile/sb0658.htm>

<sup>10</sup> <https://casetext.com/statute/code-of-maryland/article-tax-property/title-9-property-tax-credits-and-property-tax-relief/subtitle-3-counties-to-which-general-provisions-are-applicable/section-9-303-anne-arundel-county>