

ORDINANCE NO. 2700

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 SALISBURY NEIGHBORHOOD HOUSING SERVICES, INC.

WHEREAS, Salisbury Neighborhood Housing Services, Inc. (“SNHS”) is a local nonprofit housing organization with the stated goal of increasing home ownership, reducing neighborhood blight, and fostering sustainable change; and

WHEREAS, in furtherance of its goal, SNHS regularly acquires residential properties within the corporate limits of the City of Salisbury (the “City”), on which it performs rehabilitation, 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 the ongoing rehabilitation by SNHS of residential housing within City limits; and

WHEREAS, granting SNHS a tax credit against the City property tax imposed on eligible properties (the “SNHS Tax Credit”) will encourage SNHS to acquire properties within City limits, which will further result in positive economic and social effects, including, but not limited to, combatting 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 SNHS 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 SNHS Tax Credit; and

WHEREAS, the City’s establishment of the SNHS Tax Credit hereunder is authorized by Section 9-324 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 3.21, titled “Salisbury Neighborhood Housing Services Tax Credit”, as follows:

Chapter 3.21 Salisbury Neighborhood Housing Services Tax Credit

3.21.010 – Salisbury Neighborhood Housing Services tax credit

- A. In accordance with the provisions of the Tax-Property Article § 9-324 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 Salisbury Neighborhood Housing Services, 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 Salisbury Neighborhood Housing Services, Inc.
- B. Salisbury Neighborhood Housing Services, Inc. shall submit an annual report each year to the Mayor and City Council of the City of Salisbury documenting:
 1. All real property holdings of Salisbury Neighborhood Housing Services, 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 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 Salisbury Neighborhood Housing Services, 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, Salisbury Neighborhood Housing Services, 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 tax credit shall be allowed on and after October 1, 2021, and shall be prorated as of the date of acquisition by SNHS.

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.

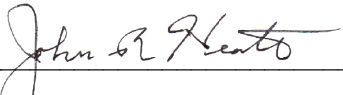
Section 4. The recitals set forth hereinabove are incorporated into this section of the Ordinance as if such recitals were specifically set forth at length in this Section 4.

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 13th day of December, 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 10th day of January, 2022.

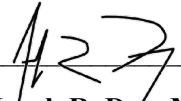
ATTEST:

Kimberly R. Nichols, City Clerk



John R. Heath, City Council President

Approved by me, this 11th day of January, 2022.



Jacob R. Day, Mayor



To: All Council Members
From: Nathaniel Sansom, Special Assistant to the Mayor
Subject: Salisbury Neighborhood Housing Services – Tax Credit
Date: January 10, 2022

The Administration's request for an Ordinance establishing a Salisbury Neighborhood Housing Services tax credit is outlined below.

Current Situation & Request

In an effort to bolster the supply of affordable housing in the City, Mayor Day announced his *Here is Home* comprehensive housing initiative on September 29th. Shortly thereafter, the Administration introduced an ordinance to create a real property tax credit for Habitat of Humanity. The Administration would now like to propose a similar tax credit program benefiting Salisbury Neighborhood Housing Services, Inc (SNHS). The text of this ordinance is similar to that of Ordinance 2689, which brought about the Habitat tax credit. The only notable difference is the enabling legislation by which we are able to extend this benefit to SNHS.

Background

SNHS has stated that, at most, they would have three projects underway at the same time and that they may own the properties for up to two years before the property is ready for sale. In the ordinance, we kept the five-year window to align with the credit provided to Habitat. The properties only are eligible for the tax credit as long as they are being rehabilitated. After they are transferred to a private owner, they are reinstated on the City tax rolls at the beginning of the next fiscal year.

Fiscal Note

Based upon estimations provided by SNHS, the properties they purchase are generally valued at \$60,000-\$70,000 at the time of purchase and have a market value between \$175,000 - \$190,000 after they are rehabilitated. Based on the current City property tax rate of \$0.98 per \$100 of assessed value, if SNHS were to have three properties each with an assessed value of \$65,000, the total annual tax burden would be roughly \$1,911 (\$637 per property). Once rehabilitated, if we assume an average market value of \$182,500, the total tax annual revenue these properties would generate would be equal to \$5,365.50 (\$1,788.50 per property).

Stated simply, it is evident that by forgoing tax revenue for a short period of time to allow for rehabilitation, the City stands to gain in the future from increased tax revenues while simultaneously supporting a local non-profit specializing in the rehabilitation of houses to support City residents.



City of
Salisbury
Jacob R. Day, Mayor

MEMORANDUM

Legal Authority

Tax-Property Article § 9-324, of the Annotated Code of Maryland enables municipal corporations in Wicomico County to provide a property tax credit for residential development projects that construct or substantially rehabilitate structures that “substantially increase the assessed value of the property”¹.

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 Salisbury Neighborhood Housing Services, Inc.

¹ https://mgaleg.maryland.gov/2021RS/chapters_noln/Ch_716_sb0794T.pdf