

Council Agenda Report

Date: March 13, 2017

Prepared by: Sandra Tripp Jones

Submitted by: Sandra Tripp Jones

SUBJECT: Property Tax Increase

Recommendation: That Council schedule a public hearing on proposed property tax increase from .007989 to 008878 to maintain property tax revenues for current operating levels, to fund repair of 300 block of High Street, and to establish a project for housing blight removal in FY 2018.

Discussion:

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 2017. 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.

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. 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.

Fiscal Impact:

Approved: