

Open Work Session

Proposed Property Tax Credit for Habitat for Humanity

December 17, 2019

Ms. Molly Hilligoss, Executive Director of Habitat for Humanity of Wicomico County, and Mr. Gene Malone, Board President, came before Council. Ms. Hilligoss thanked Council for allowing her to present a little something about Habitat for Humanity. She said Council may not be aware that when President Trump made changes to the tax code it impacted donations locally to their affiliate. She said they do not receive any funding from Habitat for Humanity International, so they rely solely on grants, foundations, and private donations to fund the homes they build, and then they resell them to their partner families. She said the reason they are at the meeting is to ask for a partnership in short-term property tax credits for the homes and land they are developing, and she submitted some information to Council. She said she thought it was really compelling that the increase in property values over the last five years for the 15 properties they developed were increased from \$413,759 to \$1,012,941, which is tremendous. She then handed out a spreadsheet, and said this does not split out the property tax between the County, City, and State because she did not have that information, but she is estimating that going forward with their future property acquisitions would be an investment, basically, on the County's part of anywhere from \$3,000 to \$10,000 a year. She said it is not a lot of money, but it makes a difference for Habitat for Humanity. She said \$10,000 is about what it costs to put a foundation in, and they are already paying over \$6,000 a year for a staff member to do all the maintenance on the lots they currently own. She said they own 15 lots, and three are not developable because they are landlocked, and there is no access to City services or roads, so right now they really only have ten properties they can develop. She said it is time they start reaching out to municipalities, and they have had some reach out to them, but, if they take on more properties, that means they have to maintain those, and there is a cost to that.

Mr. Holloway asked if Ms. Hilligoss has run this by the County Executive yet, to which Ms. Hilligoss responded, she has. Mr. Holloway asked if she has a letter of support from him, to which Ms. Hilligoss responded, she does not have a letter of support, but the Executive asked that she bring this to Council for discussion. Mr. Dodd clarified, this is just a Work Session, and they will need the Executive's endorsement. Mr. Malone said they can get that in the form of a letter. Ms. Hilligoss said she sent Council some sample copies from Harford County and Cecil County. Mr. Dodd asked if Harford County is still doing that because theirs is dated 2010, to which Ms. Hilligoss responded, they are, and these were just samples they forwarded to her.

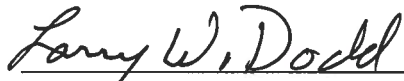
Mr. McCain said this would be during the holding period while Habitat for Humanity has the property, which he is 100 percent in favor of, but some of these differ. He said he noticed in Aberdeen's they actually put a limit on it, require an annual update, and also said no case should exceed more than three years. He then asked if Ms. Hilligoss was putting any kind of time limit on this, to which Ms. Hilligoss responded, she is asking for five years because, when she looked back at how long it takes to develop property, it takes a long time with the grant process and capital bond bills. Mr. McCain said he did not see the five years, and that was what he was looking for. Mr. Dodd said he saw the five years and was wondering what kind of timeline Ms. Hilligoss was looking for. He said he did not realize it took about five years to get the property going, to which Ms. Hilligoss responded, it does. She said, in fact, they acquired four distressed properties in 2016 from Hebron Savings Bank, and they hoped they could rehab them all, but it turns out they already had to demolish one, and will demolish another one, and can only save and rehab two of the four. She said that is all of those years of carrying cost, so it is expensive.

Mr. Taylor said he has passed out a handout for Council to look at Harford County Code provision on this, and also Charles County Code. He said Harford County Code is very clear, well written, and has a five-year limitation on it, and he would suggest that as more or less the prototype, but there are two things in the Charles County Code that he thinks are worth considering. He said one is an annual review by the County, and also a provision that says no retroactivity, and it specifies when the program goes into effect and says it will not be applied retroactively. He said he would suggest putting those two items in with what is in the Harford County Bill and going with that. He said there are two things to consider, one being most Counties and towns give a 100 percent credit. He said, in other words, the entire tax is credited. He said it can be less than that, but, frankly, if they do less than that he can guarantee they are going to make a lot of people unhappy, including Habitat and the tax office. He said the other thing is the period of time, and they have already talked about that being the five years. He said, if anybody wants a different time period or unlimited, Charles County's happens to be unlimited with no limit.

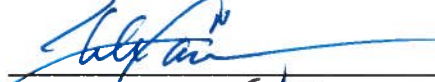
Mr. Cannon asked Mr. Taylor if this would have to be done in concert with the budget since it is obviously going to have to account for less revenue through property taxes, and they are maxed out on property taxes anyway, to which Mr. Taylor responded, he does not know this for a fact, but he is assuming when SDAT gives them their figures it would take this into account. He said, in any event, it would not be very much, to which Mr. Cannon responded, he agrees, but the implementation would have to be for the next fiscal year in concert with the new budget. He then asked if it would upset anything if they were to do it any earlier than that, to which Mr. Taylor responded, he thinks that is one of the reasons to have an annual review by the Executive Branch, and they would have a pretty good feel for what the numbers are going to be on the properties. He said, essentially, they are rather low assessed properties, so even with a 100 percent credit it is really not a whole lot of money, to which Mr. McCain responded, it is only hundreds of dollars. Mr. Cannon said he understands, but he just did not know technically whether they had to dovetail it with anything else. Mrs. Hurley said she thinks Mr. Cannon is talking about the Budget Bill as far as the timeline in getting that effective, and how that would sync with the budget, to which Mr. Taylor responded, he would think that SDAT would handle it like any other credit. He said there are a bunch of tax credits that are available, and it would be with the figures they generate. He said he cannot swear to that, but that would be his guess, and, in any event, it is going to be almost immaterial because the amounts are going to be very, very small. Ms. Hilligoss said she thinks an annual report is completely reasonable. Mr. Cannon clarified, the reason he asked that is because they would be reducing revenue as a Council, to which Mr. Roser responded, the budget is actually just an estimate. He said they get the report from SDAT that has additions and deletions, and adjustments are made. He said the budget is merely an estimate because not everybody is going to pay their property tax, so there is no way they can know when they do the budget who is going to pay and who is not going to pay, so that figure is not certain, but just an estimate for the County to operate with. Mr. Cannon clarified, he is not talking about this from a fiscal perspective, but is talking about this from a procedural aspect, and that is all he is saying. He said he would not want Council to be out of line if they were to vote on cutting the revenue stream because technically that has to be added somewhere else, but this is minutia. He then asked Mr. Taylor if he follows what he is saying, to which Mr. Taylor responded, he does, but, let's face it, there are a number of Counties and Cities that are doing this now, and apparently it is not causing any problems. Mr. Cannon clarified, he is not saying they cannot do it, he wants to know how they dovetail it to initiate it, and this is just a thought that he does not need an answer to today. Mr. Dodd said he thinks it was a good question and something they can incorporate in the next budget if they hear from the Executive. He said he also thinks it would be a good idea to meet with Ms. Hilligoss's staff once a year for the annual review.

Mrs. Acle said she wants to disclose that she is the Vice President of Habitat, and she is in strong support of this, although, obviously, she cannot vote. She said, speaking on some of the issues they were hearing from the Board of Education in the public schools, Habitat makes a significant impact in the lives of those who have a home, who are more stable, and can then come to school and perform.

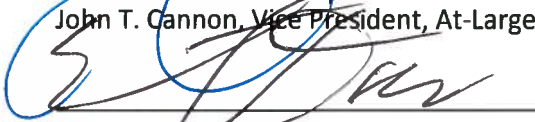
Mr. Dodd asked Mrs. Hurley where they will go from here, to which Mrs. Hurley responded, they need to get an endorsement memo from the County Executive, and then they can move forward. There was no further discussion.



Larry W. Dodd, President, District 3



John T. Cannon, Vice President, At-Large



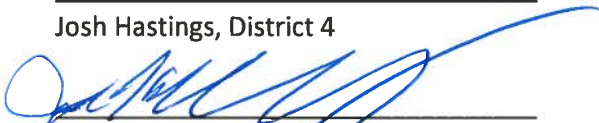
Ernest F. Davis, District 1



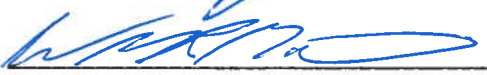
Nicole Acle, District 2



Josh Hastings, District 4



Joe Holloway, District 5



William R. McCain, At-Large



Laura Hurley, Council Administrator