Downtown Partnership proposes fee hike for building owners to avoid service cuts

by Daniel J. Sernovitz, *Baltimore Business Journal*, April 20, 2010

Downtown Partnership of Baltimore Inc. could be forced to lay off employees and cut back on services such as trash collection unless it is able to increase the levy it collects from commercial buildings.

The group, which funds improvement and marketing projects promoting downtown shops and businesses, wants to increase the surcharge on commercial properties by 7 cents to $21.39 cents for every $100 of assessed value, Downtown Partnership spokesman Michael Evitts said. That could amount to an increase ranging from $300 a year to $95,000 depending on the size of the building. With a third of city properties set to be reassessed this year, the partnership is bracing for what could be as much as a 15 percent drop in commercial property values, which in turn would bring down the amount of subsidies it collects from the owners of those properties.

The partnership has scheduled a public hearing April 27 to discuss the increase.

The board of directors for the Downtown Management Authority, which is the arm of Downtown Partnership that provides downtown improvements, voted unanimously in favor of the increase last month. The measure must also be approved by Baltimore City Council. Councilman William H. Cole IV introduced a city council bill Monday authorizing the increase. The bill would also allow the group to borrow up to $20 million for capital improvements such as creating parks and other streetscape improvements.

The assessment does not include residential buildings or properties outside downtown Baltimore. There are about 1,400 commercial property owners in the city, but that figure includes nonprofits like Johns Hopkins University that are not subject to the levy, Evitts said. The tax increase comes at a difficult time for downtown building owners, facing one of the highest office vacancy rates in a decade.

Downtown Partnership President J. Kirby Fowler Jr. said in a telephone interview he believes downtown property owners support the measure. Fowler noted downtown's vacancy rate, approaching 20 percent, has not been as high since the last real estate slump in the early 1990s. But he said it was building owners at that time who lobbied for the tax to raise money for downtown's upkeep, fearing a spike in crime, trash and graffiti would drive businesses away from Baltimore.

That is the case this time as well, he said, and the group is hoping to fund a number of projects including the demolition of the Baltimore Street skywalk by the Mechanic Theatre, streetscape improvements along Pratt Street, and the creation of small parks like the one built at Center Plaza at Fayette and Charles streets.

The group relies on a variety of sources for its budget, which was about $5.5 million in 2007, according to its most recent Form 990 filed with the Internal Revenue Service. About 52 percent of that comes from the property surcharge, another 15 comes from membership dues, and 14 percent comes from city grants. Downtown Partnership has already eliminated nine vacant positions because of the drop in city aid and falling property values.

The city is also struggling with its own financial problems, and the mayor and city council are in the midst of a budget process aimed at closing a projected $121 million deficit. Evitts said he is expecting the city to cut back on the amount of money it gives to the partnership, but he said no one from the city has told his group how much less it is likely to receive.

The city contributed $510,000 to Downtown Partnership two years ago, which dropped to $220,000 last year but rose to $340,000 for the current budget year to end June 30, Fowler said.