



CITY OF SALISBURY
HOMEOWNER CONVERSION GRANT PROGRAM
& TAX ABATEMENT PROGRAM

FREQUENTLY ASKED QUESTIONS

Where can I apply for the Homeowner Conversion Grant Program?

At Salisbury Neighborhood Housing Service, 513 Camden Avenue, Salisbury, MD, 21801, phone (410) 543-4626. Applications are also available on the City of Salisbury's website at www.ci.salisbury.md.us.

Where can I apply for the Tax Abatement Program?

Either at Salisbury Neighborhood Housing Service or at the City Finance Office, Room 103, Government Office Building, 125 N. Division Street, Salisbury, MD, 21801, phone (410) 548-3110. Applications are also available on the City of Salisbury's website at www.ci.salisbury.md.us.

What are the qualifications for the programs?

The property you are converting to owner-occupied family use must be located within the City limits; it has to have been used exclusively as a rental property for at least three years immediately prior to the conversion or is owned by a person or entity that rehabilitated the property after rental use for 3 consecutive years; you must be converting the property to an owner-occupied, family residence; and you must intend to occupy the home within one year of the date of closing.

How much is the grant?

The grant is an amount up to \$3,000, received on the date of closing.

Do I ever have to pay back the grant?

The initial grant is forgiven on an annual basis of 20% per year, so long as the property is maintained as an owner-occupied family residence. After the fifth year, the agreement is terminated and the grant is forgiven. If, for example, you sell the house after the third year, and the buyer is not planning to maintain the property as an owner-occupied family residence, you would owe the City 40% of the initial grant amount you received.

How many years are the property taxes abated?

City property taxes for the first five years of participation in the Program are abated in whole, then the tax is gradually phased in over a period of four years, at 20% per year, until the tenth year when property taxes will be due in full.

After receiving the grant and the tax abatement, how does the City know if I'm still using the property as an owner-occupied family residence?

You have the obligation to provide annual confirmation of the family use and the continued occupancy of the property by the owner. This is necessary for five years if you have received the grant, or nine years if you are receiving the tax abatement.

BUYERS CERTIFICATE OF PARTICIPATION

I/we, _____, hereby certify that I/we am/are entitled
(Name)
to a tax abatement under the Homeowner Conversion Tax Abatement Program for the City
of Salisbury because the following conditions are met:

1. I we have purchased residential real property located at
_____, and attached a copy of the HUD-1 settlement sheet
hereto. (Address)

2. The property has qualified for tax abatement under the Homeowner
Conversion Tax Abatement Program since _____.
(Date)

3. The property meets the criteria for a "qualified residence" under Chapter 3.20
of the City of Salisbury Municipal Code.

4. I, we agree to accept all of the obligations of the Agreement of Participation in
Homeowner Conversion Tax Abatement Program made _____ by and
between the City of Salisbury and _____. A copy of the Agreement is
attached hereto and incorporated herein.

I/we, _____, hereby declare under the penalties of
perjury that the aforesaid facts are true and accurate.

Date

Date

AGREEMENT OF PARTICIPATION IN
HOMEOWNER CONVERSION TAX ABATEMENT PROGRAM

This Agreement made this ____ day of _____, ____, by and between the City of Salisbury (hereinafter "City") and _____ (hereinafter "Applicant").

WHEREAS, the Council of the City of Salisbury enacted Chapter 3.20 of the Salisbury Municipal Code, which established the Homeowner Conversion Tax Abatement Program, on January 10, 2005 to encourage the conversion of rental properties to owner-occupied residential use;

WHEREAS, Applicant desires to purchase residential real property within the city limits of the City of Salisbury and participate in said program.

NOW, THEREFORE, in consideration of the promises and mutual covenants and understandings of each of the parties, the parties hereby covenant and agree as follows, as of the effective date hereof.

1. Applicant has purchased residential real property located at _____, within the limits of the City of Salisbury (hereinafter "Property") and attached a copy of the HUD-1 settlement sheet hereto.

2. The property is a single-family detached dwelling arranged or designed for occupancy by only one family.

3. The Property has been used exclusively as a rental property for at least three years immediately prior to purchase by the applicant, or was purchased from a person or entity that rehabilitated the property after rental use for three consecutive years.

4. The Applicant agrees that, subsequent to purchase, he will convert the Property to use as an owner-occupied family residence.

5. The applicant intends to occupy the property within one year of purchase as an owner occupied family residence.

6. The owner agrees to use the Property as an owner-occupied family residence for nine years, or sell it only to a person who will use it as an owner-occupied family residence until the expiration of the property's participation in the Program, or pay the City for all taxes abated during the period of his ownership.

7. The City agrees to provide the following tax abatements as long as the property qualifies as stated herein:

a. The residence shall be exempt from city property tax for five years. If an Applicant purchases a qualified property on or before December 31st, the current tax year shall be the property's first year in the Program. If an Applicant purchased a qualified property on or after January 1st, the following tax year will be the property's first year in the Program.

b. In year six of participation in the program, the residence shall be taxed at a rate equal to 20% of the then-prevailing tax rate for residential real property in the City.

c. In year seven of participation in the program, the residence shall be taxed at a rate equal to 40% of the then-prevailing tax rate for residential real property in the City.

d. In year eight of participation in the program, the residence shall be taxed at a rate equal to 60% of the then-prevailing tax rate for residential real property in the City.

e. In year nine of participation in the program, the residence shall be taxed at a rate equal to 80% of the then-prevailing tax rate for residential real property in the City.

f. Thereafter, the residence shall be taxed at the then prevailing tax rate for residential real property in the City.

8. The Property's participation in the program shall terminate if any of the following events occur:

a. The Property ceases to be used as an owner-occupied family residence;

b. The Property is conveyed to a new owner, unless the new owner of the residence accepts the obligations of the agreement made herein; or

c. The Property otherwise fails to meet the criteria for a qualified residence under Chapter 3.20 of the City of Salisbury Municipal Code.

9. In the event that the applicant causes this contract to terminate by committing any of the acts described in the previous paragraph, a property tax shall be due within 30 days of written notice for each taxable year beginning with the first taxable year in which the applicant received a tax abatement under the program.

10. The applicant agrees to file a certificate of qualification with the Department of Finance of the City of Salisbury by April 1st of each year to maintain the Property's eligibility for the tax abatement program.

11. Applicant agrees and understands that qualifications in the first six months of the tax year (July - December) means that tax year is the first year in the Program. Qualification in the last six months of the tax year (January - June) means the next tax year is the first year in the Program.

IN WITNESS WHEREOF, the said parties hereto have hereunto set their hands and seals the day and year first above written.

| | |
|---------|-------------------|
| _____ | _____ |
| Witness | City of Salisbury |
| _____ | _____ |
| Witness | Participant |
| _____ | _____ |
| Witness | Participant |

STATE OF MARYLAND, COUNTY OF WICOMICO, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 200 , before me, the Subscriber, a Notary Public in and for the State and County aforesaid, personally appeared _____ to me known to be the person described herein, who executed the foregoing instrument, and acknowledged that (he/she) freely and voluntarily executed the same.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____

STATE OF MARYLAND, COUNTY OF WICOMICO, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 200 , before me, the Subscriber, a Notary Public in and for the State and County aforesaid, personally appeared _____ to me known to be the person described herein, who executed the foregoing instrument, and acknowledged that (he/she) freely and voluntarily executed the same.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____

STATE OF MARYLAND, COUNTY OF WICOMICO, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 200 ,
before me, the Subscriber, a Notary Public in and for the State and County aforesaid,
personally appeared _____ to me known to be the person described
herein, who executed the foregoing instrument, and acknowledged that (he/she) freely and
voluntarily executed the same.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____