HB 1263

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1263 (Delegate Haynes, *et al.*)
Environment and Transportation

Foreclosed Property Registry - Duty to Inspect and Maintain Properties in Baltimore City

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This bill requires a purchaser of a foreclosed property located in Baltimore City that is registered in the Foreclosed Property Registry (FPR) to conduct a reasonable inspection and perform any necessary maintenance to prevent the property from causing damage to any neighboring property or becoming blighted. The bill also requires the purchaser to notify the Department of Labor, Licensing, and Regulation (DLLR) of each inspection and certify specified information in a form DLLR requires. A foreclosure purchaser who fails to make a certification of inspection to DLLR is subject to a civil fine of $500.

Fiscal Summary

State Effect: General fund expenditures increase by *at least* $27,000 in FY 2019, as discussed below, and may increase minimally in subsequent years. Special fund revenues increase, potentially significantly, due to the imposition of fines.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	-	-	-	-	-
GF Expenditure	$27,000	-	-	-	-
Net Effect	($27,000)	-	-	-	-

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to materially impact Baltimore City finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary: An inspection of a property must be conducted at least once every three months, with at least one month between inspections. On conducting an inspection, the purchaser must certify, in a form DLLR requires:

- the name, telephone number, and address of the foreclosure purchaser, including, if applicable, a substitute purchaser who is authorized to accept legal service for the foreclosure purchaser;
- the street address of the qualifying property;
- the date of the inspection;
- whether the residential property is vacant;
- a statement indicating the property is not (1) blighted or (2) causing damage to any neighboring or adjacent property;
- whether any maintenance is required to the qualifying property to prevent it from becoming blighted; and
- the status of any repairs required to prevent or correct blight.

For each relevant property, DLLR must maintain in FPR the required information collected under the bill and only divulge the information to a valid requestor under specified provisions of the Real Property Article which generally authorize disclosure only to (1) local jurisdictions, their agencies, and representatives; (2) State agencies; (3) a person who owns property on the same block as the subject property; and (4) a homeowners association or condominium in which the property is located.

Any civil fines collected under the bill must be deposited into the FPR Fund.

Current Law: Statute does not require a purchaser of a foreclosed property in Baltimore City, or any other jurisdiction, to inspect or repair the property.

Foreclosed Property Registry

Chapter 155 of 2012 required DLLR to establish and maintain an Internet-based FPR for information relating to foreclosure sales of residential property. The law requires a foreclosure purchaser to submit an initial registration form to DLLR within 30 days of the sale and a final registration form within 30 days after a deed transferring title to the property has been recorded. The initial registration form requires the foreclosure purchaser to provide specified information, including (1) the contact information of the purchaser; (2) the street address of the foreclosed property; (3) whether the property is a single-family or multifamily property; (4) to the best of the purchaser's knowledge, whether the property is vacant and the name, telephone number, and street address of the person who is responsible for the maintenance of the property; and (5) whether the purchaser has possession of the property. A local jurisdiction may enact a local law that imposes a civil penalty of up to $1,000 for failure to register a property.

DLLR is prohibited from granting access to the registry to any person or entity other than a local jurisdiction, its agencies or representatives, or a State agency. FPR is not a public record as defined by the State Government Article and is, therefore, exempt from public access requirements. However, DLLR or a local jurisdiction may provide information for a specific property in the registry to a person who owns property on the same block or a homeowners association or condominium in which the property is located.

Recoupment of Abatement or Maintenance Costs

Generally, a local jurisdiction that abates a nuisance or takes action to maintain a residential property registered with FPR may collect the costs associated with the abatement or other action as a charge included on the residential property's property tax bill. The local jurisdiction must provide specified written notice before taking any action.

Background: DLLR advises that the number of properties in FPR with a Baltimore City address is currently 11,038.

State Expenditures: Although DLLR advises it would use FPR functionality to collect notices and certifications required under the bill, rather than develop an entirely new system, this analysis assumes special fund expenditures may not be used to do so since these functions are not directly associated with FPR. Thus, general fund expenditures increase by $27,000 for DLLR in fiscal 2019 to develop additional new user requirements and integrate the new database with existing software. DLLR advises that the changes required were not anticipated in upgrades that are currently under development; therefore, the programing changes likely cannot be completed before July 21, 2019.

DLLR further advises that because the existing civil penalty for not complying with FPR registration may be enforced by local governments, that any civil penalty in the bill must likewise be enforced by Baltimore City. The Department of Legislative Services (DLS) disagrees. Current law *authorizes* each local jurisdiction to enact its own local law to impose a penalty for failure to register. In contrast, the bill establishes a penalty and specifies that the violator *must* be subject to a fine for failure to make a certification to DLLR. Thus, DLS advises that DLLR is likely responsible for the imposition of the required civil fine when an individual fails to comply with the bill's requirements. As a result, general fund expenditures may increase to develop and implement procedures for the imposition and collection of fines. Special funds may not be used for this purpose because these functions are not directly associated with FPR.

State Revenues: Special fund revenues may increase as a result of civil fines assessed for failure to certify specified information with DLLR. An estimate of the number of fines that may be imposed is not available at this time. However, DLS advises the impact on special fund revenues is potentially significant. *For illustrative purposes only*, of the 11,038 Baltimore City properties in FPR, if 25% of the foreclosure owners failed to perform the maintenance and submit the certification to DLLR as required, special fund revenues could increase by $1,035,000 in fiscal 2019 and by $1,380,000 annually thereafter.

Small Business Effect: Expenditures increase to inspect properties for small businesses that purchase foreclosed properties in Baltimore City. Expenditures also increase, perhaps significantly, to perform necessary maintenance to prevent a property from causing damage to any neighboring property or becoming blighted.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Baltimore City; Department of Legislative Services

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mm/kdm

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