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Senator Guy Guzzone, *Chairman*
Senate Budget & Taxation Committee
Miller Senate Office Building, 3 West
11 Bladen Street
Annapolis, Maryland 21401

Re: ***Senate Bill 563/HB780: Tax Sales – Property Maintenance and Nuisance Condition Violation Judgments and Foreclosure Proceedings – SUPPORT***

Dear Chairman Smith and Senate B&T Committee Members:

This submittal constitutes my written testimony in support for Senate Bill 563, entitled: *Tax Sales – Property Maintenance and Nuisance Condition Violation Judgments and Foreclosure Proceedings*. I am submitting it on behalf of the Cities of Cumberland and Frostburg (collectively, the “Cities”) in my capacity as City Solicitor for the City of Cumberland and as the City Attorney for the City of Frostburg.

If passed, this bill would effect changes to existing tax sale foreclosure law in two (2) ways: (i) Judgments in favor of local governments for property maintenance and nuisance property code violations would be added to the definition of taxes and given quasi-first lien status, second only to property taxes; and (ii) Allegany and Washington Counties and the municipalities therein that purchase tax sale certificates would be permitted to file tax sale foreclosures any time following the date of a tax sale and, so long as they do so within 6 months of the date of sale, they would not be required to give the advance written notice to property owners and mortgagees required by Section 14-833(a)(1) of the Tax Property Article of the Annotated Code of Maryland.

Background information as to the reasons for these proposals should be helpful in your consideration of this bill.

The Cities, particularly Cumberland, are actively engaged in efforts to fight blight. Given the age of the Cities, it is not surprising that there are a significant number of blighted properties within their municipal boundaries. They, like other similarly situated municipalities, would benefit from the extra tools to fight blight SB563 would provide.

It is important to understand the scope of the blight problem, particularly in Cumberland. The West Virginia University College of Law Land Use and Sustainable Development Law Clinic prepared a Blight Action Plan for the City of Cumberland which helps put its challenges into perspective. In the course of inventorying more than 11,000 structures in the City, the Law Clinic ascertained that 512 of them were blighted. The Law Clinic also advised that there were a significant number of additional buildings that were on their way to becoming blighted.

Although Cumberland's blight problem is greater than Frostburg's, one only need drive south of Frostburg on Maryland Route 36 to see the challenges faced by the municipalities and communities adjacent thereto.

Expanding the Definition of "Taxes"

If real estate taxes are not being paid, it is usually because the owners cannot afford to pay them. It is considerably more likely than not that they do not have the money to pay the costs of repairing and maintaining their properties either.

Even though local governments can cite property owners for property maintenance and nuisance code violations and obtain money judgments and judgments granting them the right to abate the conditions leading to the issuance of citations, they still lack the means to directly address these issues further.

This proposal expands the definition of "taxes" to include judgments for property maintenance and nuisance code infractions. The expansion of the definition will enable local governments to proceed beyond the entry of judgment on citations by selling the subject properties at tax sale. Local governments or third parties could purchase the certificates and foreclose upon the properties. Either way, the titles would be transferred to new owners who would hopefully be able and willing to remediate blighted conditions.

Eliminating the Post-Tax Sale Waiting Period for Local Governments in Allegany and Washington Counties to Institute Tax Sale Foreclosure Proceedings

A tax sale foreclosure is formally initiated by the filing of a complaint in circuit court. Generally, a purchaser must wait six (6) months from the date of the tax sale to initiate court proceedings. Presently under Section 14-833(g) of the Tax Property Article of the Maryland Annotated Code, governing bodies of counties and municipalities need not wait to file tax sales for properties which have been abandoned and consist of: (1) a vacant lot; or (2) improved property cited as vacant and unfit for habitation on a housing or building violation notice." If passed, SB563 will give local governments in Allegany and Washington Counties the unqualified right to file tax sale foreclosures immediately after tax sales are held, thereby expediting their ability to acquire title.

This measure is an important tool in the blight fighting toolbox because, by default, local governments end up owning a significant if not the greatest number of tax certificates. When local governments acquire certificates, it is often the case that the properties are blighted to the extent that it is not financially feasible to restore them. Typically, these properties are in worse condition than the others sold at a tax sale.

Lastly, this measure provides that, if local governments elect not to expedite the process by filing a tax sale foreclosure within six (6) months of the date of the tax sale, they will be required to give the same pre-filing notice to owners and mortgagees they are presently required to give.

It is for the foregoing reasons that we ask this committee to give SB563 a **FAVORABLE** report. Thank you for your consideration.

Very truly yours,

MICHAEL SCOTT COHEN, LLC



By: _____
Michael Scott Cohen