

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 1181 (Delegate Rosenberg, *et al.*) (Baltimore City Administration)
Commerce and Government Matters

Baltimore City - Condemnation - Immediate Possession and Title

This bill alters the process for the condemnation of abandoned real property in Baltimore City. The bill also adds condemnation proceedings for property valued at \$25,000 or less to the District Court's exclusive original jurisdiction.

Fiscal Summary

State Effect: The District Court could handle any increase in caseload with existing resources.

Local Effect: Indeterminate increase in Baltimore City revenues and minimal effect on city expenditures.

Small Business Effect: Potential indeterminate impact on small businesses.

Fiscal Analysis

Background: Under current law, actions for condemnation of property located in Baltimore City are brought in the Circuit Court for Baltimore City. When the city files a petition for immediate possession or immediate title and possession of property for any public purpose, the city is required to deposit an amount equal to the fair market value of the property with the court. The court then pays this money to the property owner. If the owner owes any outstanding taxes or assessments, the appropriate amount is subtracted out of the payment to the owner. If there is a dispute over the amount deducted, the court decides the appropriate amount. In addition, the city is required to provide notice by mail to all affected parties.

Bill Summary: The bill specifies that if a defendant contests Baltimore City's right to condemn title to a property, title shall not vest in the city until the date of the trial court's

decision or the date of the decision in any appeal from the trial court. Possession shall vest in the city simultaneously with the vesting of title, except where the city has taken possession previously under an order for immediate possession.

The city is authorized to file a petition in the District Court to condemn and take immediate possession of abandoned property to alleviate nuisance and blight. Abandoned property is defined as:

- (1) an unoccupied structure or a vacant lot on which taxes are in arrears for at least two years;
- (2) a building:
 - that is unoccupied;
 - that is unfit for habitation;
 - that has deteriorated to the point where:
 - the building is structurally unsound; or
 - the cost of rehabilitation significantly exceeds the post-rehabilitation market value; and
 - regarding which the owner has been issued a violation notice from the city requiring the owner to:
 - rehabilitate the building to conform to minimum code habitability requirements;
 - or
 - demolish the building for health and safety;
- (3) a vacant lot on which a building has been demolished; or
- (4) any building in a block of row houses where the block:
 - as a whole contains 70% abandoned property; and
 - is determined by the city to require a whole-block remedy provided that any tenant or owner-occupant has been offered specified relocation assistance.

When the city files a petition in the District Court to condemn and take possession of an abandoned property, the city is required to deposit with the District Court the amount of money estimated by a licensed appraiser to be the fair market value of the abandoned property.

In addition to service of process required under current law, notice of the proceeding must also be provided by certified mail if a different address is registered with the city for rental purposes.

If the value of the property is determined to be less than the sum of charges, taxes, and liens, then the city is entitled to a judgement against the owner of the property for the difference.

A judgement creditor may join a proceeding by filing a motion within ten days of receiving notice of the action; however, a judgement creditor is not a required party to a condemnation proceeding. Any person with an interest in abandoned property that is the subject of a condemnation proceeding may file a motion to remove the issue of compensation to the Circuit Court for Baltimore City for trial. Such a motion for removal must be filed within 30 days of the date the title to the property vests with the city. If the parties agree, trial on the issue of compensation may be held in the District Court. The city may have a public or quasi-public corporation named as the title holder for property acquired through its condemnation powers.

The bill's provisions do not affect the authority of the Mayor and City Council to condemn private property for public use under other provisions of law. The city is required to report to the General Assembly on or before December 1, 2000 and each year thereafter on the number of homeowners and tenants displaced from occupied dwellings and the cost and success of relocation assistance.

Local Effect: There are approximately 40,000 unoccupied properties in Baltimore City, of which 20,000 would fall under the bill's definition of "abandoned property." The bill will enable the city to seek condemnation action in the District Court which could lead to properties being seized in a more timely manner. Baltimore City advises that whole blocks could be condemned at the same time in blocks where 70% of the property is abandoned and it is determined that a whole block remedy is required. Thus, properties could be seized in a more effective manner because the properties would not have to be seized individually. In addition, the city advises that the bill's provisions would only have a minimal impact on expenditures because most abandoned properties have very little market value in comparison to the debts owed on the property.

The city is required to assure that a displaced owner-occupant receives at least the assistance that would be received under federal guidelines for relocation assistance, regardless of whether federal financial assistance is used. The city advises that they currently meet this standard. Any expenditures for relocation assistance could be handled with existing resources.

To the extent that properties seized under the bill's provisions result in these properties being rehabilitated and re-occupied, future revenues from property taxes could increase.

Small Business Effect: Although the number of properties that would be seized is unknown, it is assumed that some abandoned properties are owned by landlords that would be considered small businesses. Some properties owned by these businesses would be classified

as abandoned under the bill's definition despite the fact that they are occupied by tenants. To the extent that properties are seized which generate income from rent, these businesses could be negatively impacted depending upon the fair market value that is offered for the property. On the other hand, small businesses that own dilapidated properties that are difficult to sell would benefit from city condemnation by allowing businesses to receive money for properties.

Information Source(s): Baltimore City, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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