

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1128 (Delegate Holmes)
Environment and Transportation

Land Bank Authorities - Powers and Authority

This bill authorizes a land bank authority to (1) create a special fund for the purpose of pledging the assets of the authority to leverage private investment; (2) make specified loans or grants; and (3) enter into partnerships with other entities. The bill also requires a land bank authority's sale, lease, transfer, or other disposition of property to include a specified agreement and authorizes an authority to retake possession and/or ownership of a property for breach of an agreement or other specified reasons. The bill also allows for a county or municipality to authorize a land bank authority to exercise the county's or municipality's powers to pursue *in rem* foreclosure of vacant and uninhabitable properties on which tax liens exceed the value of the property.

Fiscal Summary

State Effect: The bill does not directly affect State finances.

Local Effect: Local governments may be affected, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Special Funds, Loans/Grants, and Partnerships

To accomplish the purposes of a land bank authority, the bill authorizes an authority to:

- create a special fund for the purpose of pledging the assets of the authority in order to leverage private investment;
- make loans or grants, in the form required by the land bank authority, to assist with the financing of projects; and
- enter into partnerships with other entities to facilitate the financing of projects.

Property Agreements and Retaking Possession/Ownership

If a land bank authority sells, leases, transfers, or disposes of an interest in the authority's property, the sale, lease, transfer, or disposition must include an agreement that states the terms regarding (1) property maintenance; (2) property outcomes and uses; and (3) any other conditions or provisions the authority considers appropriate.

The authority may reenter a property and take any action necessary to take possession of a property and terminate the interest conveyed to a purchaser if the purchaser (1) breaches an agreement and has not completed any agreed-on improvements to the property; (2) fails to obtain permits that the purchaser agreed to obtain; (3) fails to diligently pursue construction or rehabilitation of the property; or (4) fails to complete any construction on or rehabilitation of the property by the time that the purchaser agreed.

Judicial In Rem Tax Foreclosure

The bill allows for a county or municipal law that authorizes *in rem* foreclosure to authorize a land bank authority to exercise the powers and duties of the county or municipality under State law authorizing *in rem* foreclosure.

Current Law:

Land Bank Authorities

The governing body of a local government may establish by ordinance a land bank authority as specified in the Local Government Article (and two or more local governments may enter into an intergovernmental cooperation agreement to create a single land bank). An ordinance must include proposed articles of incorporation of an authority with specified information, and upon acceptance by the State Department of Assessments and Taxation of the articles of incorporation, for recordation, the authority becomes a body politic and corporate and an instrumentality of the incorporating local government.

A land bank authority is provided various powers relating to (1) acquiring and rehabilitating abandoned and dilapidated properties and (2) marketing and leasing, selling, or otherwise transferring the rehabilitated properties.

Except as limited by the authority's articles of incorporation, a land bank authority is authorized by statute to, among other things:

- borrow money;
- invest money of the authority in instruments, obligations, securities, or property;
- enter into contracts and execute the instruments or agreements necessary or convenient to accomplish the purposes of the authority;
- solicit and accept gifts, grants, loans or other assistance in any form from any public or private source;
- create, own, control, or be a member of a corporation, limited liability company, partnership, or other person, whether operated for-profit or not for profit, for the purposes of developing property in order to maximize marketability;
- design, develop, construct, demolish, rehabilitate, renovate, relocate, and otherwise improve real property or interests in real property; and
- raise revenue by any legal means required to make the operations and activities of the authority self-sustaining.

With respect to property, an authority may, among other things:

- acquire real property or rights or interests in real property, directly or through a person or governmental entity, by gift, devise, transfer, exchange, foreclosure, purchase, or otherwise;
- own property in the authority's name, including tax foreclosed property and property without clear title;
- sell, lease as lessor, transfer, and dispose of the authority's interest in property; and
- execute deeds, mortgages, contracts, leases, purchases, or other agreements regarding the property of the authority.

Judicial In Rem Tax Foreclosure

Statute provides counties and municipalities with specified authority for *in rem* foreclosure and sale of real property (1) that consists of a vacant lot or improved property cited as vacant and unsafe or unfit for habitation or other authorized use on a housing or building violation notice and (2) for which the total amount of liens for unpaid taxes on the property exceeds the total value of the property. A complaint for an *in rem* foreclosure action may not be filed by a county or municipality unless (1) the tax on the real property has been delinquent for at least six months and (2) the right to appeal the notice of the property as vacant and unsafe or unfit has tolled.

A complaint for *in rem* foreclosure must be filed in the circuit court of the county where the real property is located and must meet specified criteria. An interested party has the right (1) to cure the delinquent taxes and liens on the real property by paying all past due fees, payments, and penalties at any time before the entry of the foreclosure judgment and (2) to be heard at the hearing on the complaint and contest the delinquency of the taxes and the adequacy of the proceedings.

If the court finds that the county or municipality sent sufficient notice and a copy of the complaint to each interested party and that the information in the complaint is accurate, it must enter a judgment and order that ownership of the real property be transferred to the county or municipality.

Local Fiscal Effect: The bill expands and clarifies the authority and responsibilities of land bank authorities established by local governments. The finances of land bank authorities may be affected by implementation of the expanded/clarified authority and responsibilities, though presumably in a manner that improves the effectiveness of the land bank authorities. To the extent the bill improves land bank authorities' effectiveness in rehabilitating abandoned and dilapidated properties, local governments may benefit, including through increased collection of tax revenues associated with rehabilitated properties.

Small Business Effect: Small businesses may meaningfully benefit from any increased demand for their goods or services resulting from land bank authorities' use of the expanded/clarified authority under the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Harford, Montgomery, and Wicomico counties; Maryland Municipal League; Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Maryland Department of Labor; Maryland Department of Planning; Department of Legislative Services

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