

SB 518 -FAV - MML.pdf

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Position: FAV



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

February 22, 2023

Committee: Senate Budget and Taxation Committee

Bill: _____ SB 518 – Tax Sales – Revisions

Position: Support

Reason for Position:

The Maryland Municipal League supports Senate Bill 518, which would give local governments the tools to deal with properties blighted properties that arise from abandoned efforts to foreclose often vacant and dilapidated structures.

The current law effectively allows these properties to languish in the months and years after a certificate of sale is acquired, leading to the term “zombie properties.” The whole community benefits when they can be rehabilitated or demolished to foster new living spaces or businesses. SB 518 would allow local governments to be awarded a certificate of sale in certain cases to do achieve these goals.

As such, MML respectfully requests that this committee provide a favorable report on Senate Bill 518.

FOR MORE INFORMATION CONTACT:

Theresa Kuhns

Angelica Bailey Thupari, Esq.

Bill Jorch

Justin Fiore

Chief Executive Officer

Director, Advocacy & Public Affairs

Director, Public Policy

Deputy Director, Advocacy & Public Affairs

1212 West Street, Annapolis, Maryland 21401

410-268-5514 | 800-492-7121 | FAX: 410-268-7004 | www.md-municipal.org

(Cumberland) Michael Cohen (Support) SB518 (Sessio

Uploaded by: Michael Cohen

Position: FAV

**THE LAW OFFICE
OF
MICHAEL SCOTT COHEN, LLC**

213 Washington Street
Cumberland, MD 21502
Telephone: (301) 724-5200
E-mail: mike@msclawllc.com

February 22, 2023

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

Re: *Senate Bill 518/HB779: Tax Sales – Revisions – SUPPORT*

Dear Chairman Guzzone and Members of the Senate Budget & Taxation Committee:

This submittal constitutes written testimony in support for Senate Bill 518, entitled: Tax Sales - Revisions. 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.

This bill would effect changes to existing tax sale foreclosure law by enabling local governments to seek relief at two (2) separate stages of tax sale foreclosure cases when it appears that the foreclosing tax certificate holders have abandoned their cases. In the first instance, if a case has been pending but unresolved for an excessive amount of time, the governing body of a county or municipality may file a motion requesting that the certificate of sale be assigned to it. In the second instance, if the certificate holder does not take the steps necessary to obtain the deed from the tax collector within ninety (90) days of the entry of the final order, as is required under present law, the governing body of a county or municipality may file a motion, requesting that the final order be stricken and that the certificate be assigned to it. In both instances, if the relief sought is granted, the government entity will be able to step into the shoes of the foreclosing certificate holder, complete the proceedings, and take title to the subject property.

If SB518 is passed, the status quo will remain unchanged for the owners of properties sold at tax sale. This legislative proposal is not directed at them or the role they play in tax sale foreclosure cases.

Although the legislation is intended to address problems that can arise on account of certain tax certificate holders’ involvement in these cases, they will not suffer any adverse consequences if it is passed. Under applicable law, if a certificate holder fails to prosecute a case, it can be dismissed. If a tax sale purchaser does not comply with the terms of a final order within ninety (90) days of the date of its entry, the final order can be stricken and the certificate holder will

almost certainly lose the right to take title to the property. These consequences will remain unchanged if SB518 is passed.

With one harmless exception, this proposal imposes no additional obligations on certificate holders. SB518 would require certificate holders to complete their cases within eighteen (18) months of the date of the filing of their complaints. This change is of no concern for tax certificate holders who have abandoned their cases. Those who have not abandoned their cases need only show good cause as to why it is taking more than eighteen (18) months to complete their cases in order to avoid the consequences of this new requirement.

Whether a tax sale foreclosure is abandoned mid-stream or at the end of the proceeding, the title to the subject property remains in the name of the original owner who, in most instances, no longer resides in the property and is not taking care of it. Since no one will be taking title to and assuming responsibility for the property, it will not be cared for and it will deteriorate. We refer to these properties as “zombie properties” because, just like the body of a zombie decays with the passage of time, the condition of a zombie property worsens the longer its title and ownership effectively remain in limbo.

The problem with zombie properties in the Cities most frequently arises from tax certificate investors’ purchases of large batches of certificates. Tax certificate investors purchase the lion’s share of the certificates for City properties which are sold to third parties at tax sales. Whether on account of the volume of the certificates they are purchasing or for other reasons, it is apparent that they are not investigating the condition of the properties in advance of the date of the tax sales. In some of the instances, when the investors discover that it is financially impractical to proceed further, they walk away from their cases.

Applicable law does not provide a means to address zombie properties. If passed, SB518 would enable local governments to intercede and ultimately take title to and assume responsibility for these properties. Although not a panacea, this measure would provide local governments with an additional tool for addressing blight.

It is for the foregoing reasons that we ask this committee to give SB518 a **FAVORABLE** report. Thank you for your consideration.

Very truly yours,

MICHAEL SCOTT COHEN, LLC



By: _____
Michael Scott Cohen

SB 518 Sen Corderman Testimony.pdf

Uploaded by: Paul Corderman

Position: FAV

PAUL D. CORDERMAN
Legislative District 2
Frederick and Washington Counties

Budget and Taxation Committee

Subcommittees

Capital Budget

Education, Business and Administration



James Senate Office Building
11 Bladen Street, Room 403
Annapolis, Maryland 21401
410-841-3903 • 301-858-3903
800-492-7122 Ext. 3903
Paul.Corderman@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 22, 2023

Senate Budget & Taxation Committee
Chairman Guy Guzzone
Vice Chair Jim Rosapepe
3 West
Miller Senate Office Building
Annapolis, MD 21401

Testimony in Support of Senate Bill SB 518 – Tax Sales - Revisions

Chairman Guzzone, Vice Chair Rosapepe, & Members of the Budget & Taxation Committee,

As Members of the General Assembly, we each have the privilege of representing a variety of both small and large municipalities and cities. Empowering our local leaders to uplift their communities will benefit our state as a whole. SB 518 does this by giving local municipal leaders in both Washington and Allegany Counties the ability to have more control over abandoned and blighted properties that do not bring value or prosperity to our communities.

Specifically, SB 518 would allow municipalities in the designated counties to take swifter action in acquiring properties that were offered at tax sale but have remained in limbo/severe disrepair. Unfortunately, many of these properties often breed crime and pose a danger to those within the community. Additionally, this bill would enable municipalities in the designated areas to intervene on properties that have been identified for demolition due to unsafe conditions. Ultimately, allowing more flexibility on the municipal level will assist in tackling the issue of blighted properties.

Thank you for your consideration and I respectfully ask for a favorable report on SB 518.

Sincerely,

A handwritten signature in blue ink that reads "Paul D. Corderman".

Paul D. Corderman
District 2 – Washington & Frederick Counties

SB518_WrittenTestimony.pdf

Uploaded by: SCOTT Nicewarner

Position: FAV



CITY OF HAGERSTOWN, MARYLAND

Scott Nicewarner
City Administrator

One East Franklin Street • Hagerstown, MD 21740

E-mail: snicewarner@hagerstownmd.org

Telephone: 301.766.4168 • TDD: 301.797.6617 • Website: www.hagerstownmd.org

February 22, 2023

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
2 East Miller Senate Office Building
Annapolis, Maryland 21401-1911

RE: Senate Bill 518 – Tax Sales - Revisions

Please accept this letter as written testimony in **support** of this proposed legislation by Senator Paul Corderman and Senator Mike McKay.

Currently municipal government is limited in our abilities to remediate properties which are tax delinquent, vacant and the owner or primary deed holder is not able or willing to be contacted. These parcels, in many or most instances, are places of drug use, prostitution, and health issues that pose a significant threat to the surrounding community as well as to those City staff who must respond to calls for services or to abate the trash, grass and weeds or broken and or busted windows and doors that appear, then reappear on a regular basis.

This bill reduces the timeframe a municipality must wait to take action to acquire properties that have been redeemed at tax sale, yet no further action has been taken to take title to the parcel. Currently that period of time is 2 years in which many parcels are held in limbo yet continue to deteriorate and cause City services to be expended to abate the property. This bill would allow municipalities to intercede at 18 months after foreclosure if a final notice has not been filed, or if a final order has been obtained does not pay the full purchase tax arrearage within 90 days. This provided ample opportunity that, if a redeemer is serious about moving forward on a parcel, they have the time to do so. Otherwise, the court has the ability to allow a municipality to take the place of the redeemer and move forward to acquisition of the property. To be clear, this legislation does not apply to properties that are NOT in the tax sale redemption process regardless of their condition or tenancy status. In these cases, the landlord or owner of the property is available. The vast majority, if not all as is the case in Hagerstown, of these properties included in this bill are vacant.

This bill also addresses the ability for a municipality to identify parcels that are eligible for tax sale to be withheld from being sent to the County Treasurer for auction if that property has been identified by the City for demolition due to being unsafe and unfit for rehabilitation. The process to make this designation can span several months, and many times will fall into the period where delinquent tax parcels are required to be sent to tax sale. By being able to hold these parcels from being sent into the tax sale process, the municipality may continue to process of remediation of this blighted structure and improve the overall safety of the neighborhood.



The City of Hagerstown is an architecturally older community especially within the urban core. Unfortunately, due to what many would consider predatory bidding, properties that currently reside in our vacant and blighted program and the neighborhoods they reside in are held hostage for two years, if not longer, due to the inability for local government to step into the process and take action to acquire these parcels redeemed that have no chance of being rehabilitated or demolished. This legislation would allow us the flexibility to help take back our neighborhoods from blight and make them productive units or green space. With that, I ask for your support on this bill.

Sincerely,

THE CITY OF HAGERSTOWN

Scott A. Nicewander

City Administrator

SB0518.docx (1).pdf

Uploaded by: Director Michael Higgs

Position: FWA

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



MICHAEL HIGGS
Director

MARCUS ALZONA
Deputy Director

301 W. Preston Street, Room 801, Baltimore, Maryland 21201
Legislative Director: Jonathan.Glaser@Maryland.gov
1-888-246-5941 TTY: 1-800-735-2258
www.dat.maryland.gov

HEARING DATE: February 22, 2023

BILL: HB0779

TITLE: Tax Sales – Revisions

SDAT POSITION: SUPPORT WITH AMENDMENTS

The Department suggests an amendment to SB0518 to give a property owner the opportunity to exercise their right to file a motion to strike foreclosure and pay off their lien before the county's new right to the same filing, created in this bill, kicks in.

Currently, when the lien purchaser fails to take title 90 days after foreclosure, the homeowner gains the right to move to strike the foreclosure judgment. Tax-Prop § 14-847(d)(1). This clears the way for the homeowner to pay off the balance and clear their title.

SB0518 would give the local jurisdiction the same right after the same 90 days.

While the bill does prevent the county from moving to strike in their favor if the homeowner has already entered a motion first, it'll be a race to the courthouse after 90 days, and the homeowner won't likely move as quickly as the county.

To give property owners the first chance to maintain their ownership, SDAT suggests amending the bill on page 3, line 25 from 90 days to 180 days at least, so that the homeowner has the first opportunity to submit a motion to strike, before the county gains that right.