Written Testimony SB 766 - Baltimore City Tax Sale
Uploaded by: Allison Harris
Position: FAV

Maryland PRO BONO RESOURCE CENTER In partnership with MSBA

HB 867/SB 766
BALTIMORE CITY TAX SALE – COLLECTION OF UNPAID PROPERTY TAXES
HEARING BEFORE THE SENATE BUDGET AND TAXATION COMMITTEE
MARCH 8, 2023
POSITION: SUPPORT

The Pro Bono Resource Center of Maryland ("PBRC"), an independent 501(c)(3) non-profit organization, is the statewide thought leader and clearinghouse for volunteer civil legal services in Maryland. As the designated pro bono arm of the Maryland State Bar Association, PBRC provides training, mentorship, and pro bono service opportunities to members of the private bar. **PBRC supports HB 867/SB 766 because it would allow the City of Baltimore to make its own determinations about how and when to conduct tax sale auctions, thereby potentially preserving homeownership for hundreds of families while addressing other local concerns, including the issues of vacancy and blight that are particular to Baltimore.**

Over the past eight years, PBRC has assisted nearly 800 homeowners at risk of losing their homes to tax sale. For homeowners, ending up on the tax sale list is usually the result of the inability to pay one's property taxes, not an unwillingness. The clients served by our tax sale prevention clinics held in Baltimore in 2022 represented some our state's most vulnerable citizens: 74% were seniors, 39% were disabled, 76% identify as Black, and 76% reported annual household incomes of less than $30,000. On average, our 2022 Baltimore clients encountered in our clinics had owned their homes for 32 years, and over 70% of them owned their homes free of a mortgage. As lower-income homeowners, the predominant form of accumulated wealth that they have, and that they can pass on to their families, is the equity in their homes.

Baltimore City, where we primarily operate our tax sale work, has a particularly high number of residents facing tax sale: the City mailed Final Bills and Legal Notices in February 2023 to nearly 7,700 owner-occupied homes. The City government has recognized that there is a better way to address these delinquencies than through the current tax sale system: allowing payment plans will enable more residents to pay what they owe, interest and expenses can contribute to the City's revenue instead of going in the pockets of third-party investors, and residents will have the extra time they need to pay down their tax debt. The Mayor of Baltimore is committed to helping residents who are at risk of tax sale, committed to reducing the inequities, to ending predatory third-party involvement, and committed to addressing the problem of vacancy. But, as the State tax sale law currently stands, he is hampered in his ability to reform the tax sale auction process to better suit the needs of this City.

PBRC supports HB 867/SB 766, which will permit Baltimore to best determine how and when to conduct tax sales according to its own needs, allowing for alternative options that may preserve homeownership for City residents, address the critical issue of vacancy, and allow the City to more effectively collect property tax revenues. Thank you for the opportunity to testify.

For the above reasons,

PBRC urges a FAVORABLE report on HB 867/SB 766.

Please contact Allison Harris, Director of PBRC's Home Preservation Project, with any questions.
aharris@probonomd.org • 443-703-3050

SB766 Occupied Property Tax Sale System (002).pdf
Uploaded by: Dan Ellis
Position: FAV

Neighborhood Housing Services of Baltimore, Inc.

March 7, 2023

Senator Guy Guzzone
Budget and Taxation Committee
Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 766

Honorable Senator Guzzone and Members of the Committee:

I am the Executive Director of Neighborhood Housing Services of Baltimore (NHS), and a resident of Baltimore City. Our organization believes that economic and social justice are a right for all residents and communities. We promote this belief by removing barriers of access to homeownership, helping resident access resources to maintain their homes, and supporting communities historically impacted by systemic disinvestment.

In October 2021, Mayor Scott appointed me co-chair with the Deputy City Administrator of a work group charged with creating an equitable tax collection system that would serve the needs of residents of Baltimore City. The work group, made up of advocates and tax sale stakeholders familiar with the current tax sale system, recognized the need to develop an entirely new system rather than adjust the current system. This is because the existing system has functioned to strip wealth from low-income city residents while contributing significantly to the vacant property challenges encountered in the city by creating confusion about property ownership and responsibility. The work group also recognized that for occupied properties we need a system that treats residents with dignity and provides affordable and accessible ways to make payments. For vacant properties we need an efficient way for the city to be able to obtain title to a property. The work group established two sub-groups that met to identify solutions and make recommendations. SB766 is the result of the work done by the group addressing occupied properties which met 5 times between March and June 2022. All meetings were open with participation from diverse stakeholders.

SB766 allows Baltimore City to create the tax collection system designed by the work group. This system is based on the belief that the most common barrier for people paying taxes and fees on their property is that they don't have the resources needed to pay the bills. Currently, many payments are required to be made in full, creating a significant barrier for many residents who want to pay their bills. SB766 provides approval for Baltimore City to offer payment plans to residents at any point in the process. This authorization will allow the city to develop a comprehensive structure to administer payment plans. The new system is also based on proactive outreach to citizens who are behind on their taxes. This outreach is required before any home is sold for delinquent taxes. The bill also requires the debt to be at least 3 years behind.

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Another provision of SB766 is authorizing the Mayor of Baltimore to cancel the tax sale. This is important because the goal of the new system is to no longer use the existing system. Currently, Baltimore City is required to conduct an annual tax sale. There is significant cost to conducting the sale. Authorizing the Mayor to cancel the sale would result in cost savings that could be redirected to support outreach efforts.

Opponents to this bill are those who profit from the system which was designed many years ago to strip wealth from low-income residents and redirect it to wealthier people. They collect profits from the interest and fees that accrue on the loans. A homeowner with $1,000 in debt sees their liability increase to over $3,000 within 12 months of the tax sale. The increase in amount is the profit of the tax sale purchaser. The system continues to work in the way it was designed so many years ago. Those who benefit from the system are often white, while those adversely impacted are disproportionately black. Incremental changes have been made over the years, but the results have not significantly changed. Without comprehensive reform Baltimore will continue to see a cycle of properties through tax sale and wealth being removed from the community. A recent report by the Baltimore Banner found here found that in some majority Black areas over 40% of buildings have been included in the tax sale since 2016. Several have been included multiple times.

Some have also suggested that changing the tax sale system would cost the city millions of dollars annually. To be clear, this is not true. Last year the tax sale generated about $12 million for Baltimore City. This revenue is generated on the date of the sale. All interest and fees accrued after the tax sale occurs are retained by the tax sale purchasers. The city stops collecting any money. Also, in a typical year over $150 million in liens are offered at tax sale. Less than 10% are purchased. What the city is effectively doing is allowing debt purchasers to choose what liens they want to buy and then granting those purchasers all the future revenue associated with those liens. The purchasers are generally purchasing liens that they expect will repay the debt. In the new system payment plans will be offered to property owners with liens on their property. This will enable payments to be made that are affordable. Collections will occur over time and any interest generated will be retained by the city. This will result in a higher collection rate for not only the properties that would typically be purchased at tax sale but additional properties with owners willing to make incremental payments to retain the homes. The proactive outreach will promote a positive relationship between city government and citizens which leads to higher collection rates. In summary, the new system will result in additional revenue for the city which exceeds the amount of revenue spent to administer the system.

SB766 is critical legislation that will lead to greater equity for residents and neighborhoods of Baltimore City. We request a ***favorable*** report on SB766.

Sincerely,

Daniel T. Ellis
Executive Director

JPC SB766 Testimony.pdf
Uploaded by: Jill Carter
Position: FAV

Jill P. Carter
Legislative District 41
Baltimore City

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THE SENATE OF MARYLAND
Annapolis, Maryland 21401

Testimony of Senator Jill P. Carter

In Favor of SB766 Baltimore City – Collection of Unpaid Property Taxes

Before the Budget and Taxation Committee

on March 8, 2023

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Committee:

- **SB 766 would allow Baltimore City to create its own tax and lien collection system, and not have to use the traditional tax sale system. This bill is essential for keeping our most vulnerable homeowners residing in, and owning, their homes. Homeowners receiving Final Bill and Legal Notices (FBLNs) have very little time to react and settle to avoid tax sale; this bill would potentially take owner-occupied properties out of tax sale and give owners additional time to pay bills in arrears with payment plans. Currently, payment plans are offered for future bills only.**

- **SB0766 would authorize Baltimore City to (1) cancel the annual tax sale; (2) divert residential property from the private tax lien sale process into an alternative program for payment of taxes in**

arrears; (3) withhold any residential property from a tax sale; (4) establish an installment payment program for taxes in arrears on residential property; and (5) subject to specified criteria, conduct an in rem foreclosure and sale of residential property on which taxes are in arrears.

- **The Bill also creates a new section – 14-894 for In Rem foreclosure on "residential property," that would not likely interfere with the current In Rem foreclosure process on vacant lots and buildings, in sections 14-873 – 14-877. This bill creates extensive notice requirements for In Rem foreclosure on "residential property" - including documented offers of assistance to the owners at least three (3) years prior to foreclosure, and at least ten (10) documented attempts to contact the property owner.**

- **The passage of SB 766 would provide for a more effective remedy to assist homeowners in avoiding tax sale and understanding and navigating the tax sale process.**

For these reasons, I request a favorable report on SB766.

Sincerely,

Jill P. Carter

Jill P. Carter, Esq.

SB0766.docx.pdf
Uploaded by: Jonathan Glaser
Position: FAV

WES MOORE
Governor

ARUNA MILLER
Lt. Governor

Maryland
DEPARTMENT OF ASSESSMENTS AND TAXATION

MICHAEL HIGGS
Director

MARCUS ALZONA
Deputy Director

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HEARING DATE: March 8, 2023

BILL: SB0766

TITLE: Baltimore City - Collection of Unpaid Property Taxes

SDAT POSITION: SUPPORT

The State Department of Assessments and Taxation (SDAT) supports Baltimore City's strategy to provide more tools to residential property owners that are in arrears on their taxes.

This bill would establish a program to divert residential property from the private tax lien sale process into an alternative program for the payment of taxes in arrears.

For these reasons, SDAT urges a favorable vote on SB0766.

Senate Bill 766 - FINAL Written Testimony - 3.7.23
Uploaded by: Lorna Henry
Position: FAV

03/07/23

Senate Bill 0766

Baltimore City - Collection of Unpaid Property Taxes

In the Senate Budget & Taxation Committee

Hearing on March 8, 2023

Position: FAVORABLE

Maryland Legal Aid (MLA) submits its written and oral testimony on SB 0766 at the request of Senator Jill Carter.

MLA is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents. Our 12 offices serve residents in each of Maryland's 24 jurisdictions and handle a range of civil legal matters including housing, family law, public benefits, bankruptcy and other debt collection matters, as well as criminal record expungements.

Maryland Legal Aid asks that the Committee report **favorably** on SB 0766.

SB 0766 gives authority to the Mayor and City Council of Baltimore City to create and implement changes in the tax sale process that protect low-income and vulnerable homeowners while safeguarding the City's interest in collecting unpaid taxes. These changes include, among other things:

1. Establishing an installment payment program for taxes in arrears on residential property;
2. Authorizing the Mayor of Baltimore City to cancel the annual tax sale;
3. Authorizing the Mayor and City Council of Baltimore City to establish a program to divert residential property from the private tax lien sale process into an alternative program for the payment of taxes in arrears;
4. Authorizing the collector of taxes in Baltimore City to withhold any residential property from tax sale;
5. Authorizing Baltimore City to conduct a judicial in rem foreclosure and sale of residential property on which the taxes are in arrears.

MLA represents many low-income clients with tax sale issues across the State of Maryland. The number of properties in tax sale in the City of Baltimore, however, is deeply concerning and worthy of our attention. According to data contained in the State Department of Assessments & Taxation's 2022 Annual Maryland Tax Sale Report, the total number of property liens offered for sale in 2021 for all Maryland jurisdictions that held a tax sale was 20,977 with the largest number of liens offered for sale being 9,842 in Baltimore City. The total lien amount for these nearly 10,000 properties amounted to over

$424 million and the average lien amount was $43,000. Baltimore City has perennially had the largest tax sale list in the State of Maryland.

Significant action has been taken recently to address the disproportionately high number of property liens in Baltimore City, which this bill looks to expand. In fiscal year 2021, the City removed all first-time owner-occupied properties from its tax sale, and in fiscal year 2022 the City removed all owner-occupied properties from its tax sale. While this action has helped protect first-time and low-income homeowners, systemic, long-term changes need to be employed to ensure that more homeowners are protected. SB 0766 does just that.

The consequences of facing a tax sale are severe. Similar to other jurisdictions in Maryland, the minimum threshold amount of unpaid taxes on a residential property that will cause the City to put the property in tax sale is currently $750 for owner-occupied properties. A person's home could be worth hundreds of thousands of dollars and for them to lose it due to a $800 property tax bill, for example, results in housing loss for not only the homeowner but also for their children, grandchildren and/or elderly parents who are often living in the home as well. Reducing tax sales and avoiding the loss of housing in the City will help all of us – homeowners, communities and local governments.

This bill makes it easier for homeowners to redeem their property by establishing an installment payment plan to collect the unpaid taxes, which gives homeowners more time to obtain the funds. This bill also allows for the tax sale to be cancelled or for eligible properties to be excluded from tax sale. In addition, this bill would specifically benefit older adults and long-time homeowners who are at risk of losing the equity in their home. Having fewer tax sales results in fewer vacant houses and more stabilized communities which, again, benefits all of us.

SB 0766 is a crucial piece of legislation that will stem the tide of housing loss across the City of Baltimore, especially for some of our most vulnerable residents.

Maryland Legal Aid urges the Committee to issue a FAVORABLE report on Senate Bill 0766.

If you have any questions, please contact Lorna Henry, Staff Attorney, (410) 951-7652, Lhenry@mdlab.org.

SB766 (1).pdf
Uploaded by: Margaret Henn
Position: FAV

JUSTICE FOR ALL

MARYLAND SENATE BUDGET AND TAXATION COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN SUPPORT OF SB766: BALTIMORE CITY - COLLECTION OF UNPAID PROPERTY TAXES
WEDNESDAY MARCH 8, 2023

Chair Guzzone and distinguished members of the Committee, thank you for the opportunity to testify in support of House Bill SB766.

My name is Margaret Henn and I am the Deputy Director at Maryland Volunteer Lawyers Service (MVLS). I have been representing low income clients on tax sale foreclosure cases for 10 years. MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. Since MVLS' founding in 1981, our statewide panel of over 1,700 volunteers has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters. In FY22, MVLS volunteers and staff lawyers provided legal services to 3,458 people across the state. As part of our tax sale foreclosure work, we see hundreds of clients at risk of losing their housing due to unpaid property taxes. For the reasons explained below, we respectfully request a favorable report on SB766.

MVLS represents clients who face losing their homes due to unpaid property taxes or citations. Unpaid property taxes often affect the poorest homeowners in the most distressed neighborhoods and the resulting tax sales contribute to vacant and abandoned properties all over the state. Tax sale has a disproportionate effect on Black homeowners and communities of color. In 2013, MVLS and other nonprofit organizations came together to form the Tax Sale Workgroup. Our goal was to protect communities and homeowners, especially people with lower incomes and the elderly, who face the most devastating effects of the tax sale process. Since 2014, MVLS has maintained a partnership with the Pro Bono Resource Center of Maryland to conduct annual tax sale clinics aimed at helping homeowners avoid tax sale. In the past four years, volunteers have assisted over 350 people at these workshops.

From the data we collected at our 2020 tax sale clinics, 72% of clients are seniors, 48% were disabled, 85% identified as Black, and 72% reported a household income of $30,000 or less per year. Many of these clients survive on fixed incomes and struggle to pay their bills even before a tax sale happens. We also found that most homeowners live in multigenerational households where they provide shelter and support for their children and grandchildren. The property tax system has long had the inequitable outcome of stripping wealth from Black families and communities. For these families, the predominant form of accumulated wealth that they have, and that they can pass on to their families, is the equity in their homes. The loss of these homes further exacerbates the existing wealth gap.

Estelle came to MVLS to help her save her home when she had nowhere else to turn. For 58 years, she has raised her family in the Middle East neighborhood in Baltimore, participated in community events, and been a staple in her neighborhood. Estelle was proactive and made sure to apply for the Homeowners' Property Tax Credit every year. However, the year before coming to MVLS, Estelle was hospitalized, and as a result, she missed the Homeowners' Property Tax Credit application deadline. Without the tax credit, Estelle faced a property tax bill that she could not afford on her limited pension. When she was finally released from the hospital, instead of focusing on her recovery, Estelle faced the threat of losing her home to tax sale. Estelle needed to pay $2,017.11 in a short time to keep her home out of the tax sale auction. With no savings and a limited income, she had few options.

Desperate to save her home, Estelle began looking around her home, identifying any furniture and other personal items that she might sell to raise funds. She also started making a list of everyone she knew that she might be able to borrow money from to pay her property taxes. Thankfully, Estelle also took one more key step – she contacted MVLS. Once Estelle was matched with an attorney, they contacted the Maryland State Department of Assessment and Taxation. Since Estelle,was a senior, the attorney was able to explain the situation and requested that the property tax credits be applied retroactively. Once the attorney had filed the necessary paperwork, the credits were approved, and Estelle was able to remain in her home.

Estelle's story is just one of many. Homeowners who owe at least $750 in property taxes or citations, or a combination of both, are at risk of losing their home to tax sale. Unfortunately, by the time someone comes to MVLS at risk of tax sale, it is often very difficult to come up with the lump sum they would need to keep their property out of tax sale or redeem it. Our clients are typically older adults on a fixed income and coming up with hundreds or thousands of dollars all at once is nearly impossible.

MVLS has been fighting to even the playing field for low-income Marylanders for decades, and we know that poor Marylanders are most often forced to face tax sale without an advocate. This imbalance of power makes it more likely that our clients will continue to struggle to get out of tax sale. The retroactive credit that Estelle received is only available to those over the age of 70, and many of our clients don't meet this criteria. We support SB766 which would allow Baltimore City to divert residential properties from the tax sale into a program that would conduct outreach and connect homeowners with resources to allow them to both pay their tax bill over time and avoid loss of their home. Consequently, we urge a favorable report.

Chair and members of the Committee, thank you again for the opportunity to testify.

BRANDON M. SCOTT
MAYOR

Office of Government Relations
88 State Circle
Annapolis, Maryland 21401

SB 766

March 8, 2023

TO: Members of the Senate Budget and Taxation Committee

FROM: Nina Themelis, Interim Director of Mayor's Office of Government Relations

RE: Senate Bill 766 – Baltimore City - Collection of Unpaid Property Taxes

POSITION: Support

Chair Guzzone, Vice Chair Rosapepe, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 766.

SB 766 would allow Baltimore City to create our own tax and lien collection system, and not have to use the traditional tax sale system. This Bill is essential for keeping our most vulnerable homeowners residing in, and owning, their homes. Homeowners receiving Final Bill and Legal Notices (FBLNs) have very little time to react and settle to avoid tax sale; this bill would potentially take owner-occupied properties out of tax sale and give owners additional time to pay bills in arrears with payment plans. Currently, payment plans are offered for future bills only.

The Bill also creates a new section – 14-894 for In Rem foreclosure on "residential property", that would not likely interfere with the current In Rem foreclosure process on vacant lots and buildings, in sections 14-873 – 14-877. This bill creates extensive notice requirements for In Rem foreclosure on "residential property" - including documented offers of assistance to the owners at least 3 years prior to foreclosure, and at least 10 documented attempts to contact the property owner.

The passage of SB 766 would provide for a more effective remedy to assist homeowners in avoiding tax sale and understanding and navigating the tax sale process.

For these reasons, the BCA respectfully request a **favorable** report on SB 766.

Testimony SB766_3.23.pdf
Uploaded by: Odette Ramos
Position: FAV

Odette Ramos

Baltimore City Councilwoman

District 14

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100 N. Holliday Street, Room 506

Baltimore MD 21202

Testimony
SB766 – Baltimore City – Collection of Unpaid Taxes
March 8, 2023
FAVORABLE

Honorable Chair Guzzone and Distinguished Members of the Senate Budget and Taxation Committee:

I am writing to urge your support **for HB766 – Baltimore City – Collection of Unpaid Taxes**
Thanks so much to Chair Carter and the Scott Administration for introducing this legislation.

Tax Sale is the antiquated process by which taxes and outstanding liens are collected. The jurisdiction, while labeled "the collector" in state law, sells the liens to a third party. The jurisdiction is made whole, and the third party goes to collect the debt. State law allows for the third party to collect the debt and significant fees and interest, so a $750 bill may end up double or triple that in a matter of months. Residents in this situation work hard and make choices between health care, food, and other necessities in order to pay the tax sale purchaser so they won't lose the home. In some cases, they lose the home. This system especially impacts our older adults who either forgot to pay because they no longer have a mortgage to pay for them, or they have health issues that require their attention thus tax payments are put on hold, or some other hardship. In Baltimore City, this impacts Black families the most, and takes away intergenerational wealth.

Many advocates and law makers have been working to reform this system for several years. Since the 2017 Tax Sale Task Force dictated by this body, small changes have been made here and there. Finally, Baltimore City leadership is ready to lead, and reform the entire system to ensure that our elders and families do not fall prey to the outdated tax sale system.

SB766 authorizes Baltimore City to create our own collection system that does not have to comply with the current tax sale system that is prescribed in state law. It authorizes Baltimore City to cancel the tax sale at any time and remove from tax sale any property without restriction. Our system will be a humane and equitable system that works with elders and families to ensure their asset is safe from foreclosure, and only uses In Rem as the extremely last resort. The new system will allow for families to enter into payment plans and provides supports for them.

While Baltimore City automatically gets $18million to $20million a year at each tax sale, this is a miniscule amount compared to the hardship that families go through each year, and in fact cost us more to provide for them. We will still be able to collect these funds through our new system.

I am grateful for the leadership of Mayor Scott and the Tax Sale Work Group that he assigned for their hard work in ensuring reform. Baltimore City will be an example for the state and the nation on how our liens can be collected in a fair and equitable way.

I urge your favorable report for this legislation.

Please do not hesitate to contact me should you have any questions. I can be reached on 410-396-4814 or via email at odette.ramos@baltimorecity.gov.

Respectfully Submitted:

Odette Ramos
Baltimore City Councilwoman, District 14

Tax Sale SB 0766 OPPOSED - Request Amendment.pdf
Uploaded by: Michael Eskinazi
Position: UNF

SB 766 - OPPOSE

(Request Amendment to Restrict SB 766 to Owner-Occupied Properties)

Michael Eskinazi
Real Estate Professional
Phone: 443-832-3679
Email: meskinaz@gmail.com

Good morning. My name is Mike Eskinazi. I am a tax sale investor, licensed real estate agent, and 8 year resident of Baltimore City.

I strongly oppose SB 766 as written. It seeks to replace the current proven Tax Sale system with a new IN REM system that will cost millions to build out and staff and to what end? The current system enables the city to have a 98% collection rate for real property taxes.

Many have said we need to protect vulnerable Baltimore City owner-occupants and I agree. But the mayor has virtually eliminated the previously tiny risk of foreclosure to owner-occupants by removing almost all owner-occupied properties from the tax sale over the last 2 years.

We should find targeted solutions to make these owner-occupant protections permanent while protecting essential city Tax revenue. This could be accomplished under the current tax sale system by creating property tax payment plans for owner-occupants, or by <u>amending SB766 so that the new IN REM system it creates would apply only to Owner-Occupied properties</u>.

What about non-owner occupants? Shouldn't landlords, investors, business owners, or derelict property owners be expected to pay their property taxes? Property taxes are a major source of General Fund revenue for the City, almost 53% in Fiscal Year 2021. Allowing these non-owner occupants to evade paying taxes for years under SB766 would be to the detriment of responsible tax paying citizens that rely on essential city services and programs majority-funded by property tax revenue?

A couple years back water bills were removed from tax sale to protect vulnerable Baltimore city residents from tax sale. According to DPW testimony the unintended consequence of that policy change was that delinquent water collections decreased substantially.

The reason is simple: the threat of going into tax sale gets people to pay. If tax sale is cancelled what happens to the approximately 35% of the City property tax revenues that get collected after delinquent notices warning of tax sale are sent out? What about the 10-20 million collected on the day of the tax sale. What about owner-occupants who might no longer prioritize their property tax bills under SB766 in favor of other more pressing bills and allow their delinquent property taxes to accumulate for years until they are no longer affordable?

For all these reasons if you support SB 766 I urge the adoption of an amendment restricting the bill to owner-occupied properties so the bill protects those who need the help while leaving in place the current effective revenue collection system for other properties. Thank you for your consideration.

sb766 full written testimony.pdf
Uploaded by: Scott morse
Position: UNF

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SB 766 - OPPOSED

Dear Committee Members,

I am an attorney whose law practice focuses almost entirely on tax sales and am a member of the Maryland Tax Sale Participants Association (MTSPA). I have been doing tax sale work for over 20 years. I am one of the largest tax sale foreclosure filers in the State of Maryland. My clients give millions of dollars to the City of Baltimore each year at the annual tax sale. This bill seeks wholesale change the current tax sale system to an In Rem system. It is poorly drafted, contains conflicts, would lead to litigation, is unconstitutional, and would cost the city millions of dollars in new bureaucracy costs - the exact opposite of the fund raising goal of tax sale. This bill is a red herring - it purports to seek to protect homeowners, but it is really an assault on capitalism, the private sector, tax lien investors, and persons like myself who do tax lien work for a living.

I, my tax sale clients, and the MTSPA membership all want to protect vulnerable and low income property owners, but this proposed In Rem law is a rushed attempt at a bad solution. As drafted, there are many sections and subsections that are conflicting, do not make sense, and are constitutionally invalid. The proposed law is a HUGE change to the current system and should not be rushed into law. This law goes directly against the recommendations of the 2017 State Tax Sale Task Force, which was created by the State Legislature to study the existing Maryland Tax Sale process and recommend any needed changes - **and a change to an In Rem system was not recommended**. Housing advocates already tried to pass this broad In Rem legislation in 2019 under HB 1209, and it was denied. The City Director of Finance, Prior City Administration, and MACO both were against an In Rem system. A compromise was reached and In Rem was enacted to only apply to vacant and blighted properties where the liens exceeded the property value, not the entire tax sale. This is because there is no loss of revenue doing In Rem foreclosures on upside down properties where no one is ever going to pay the taxes. The issue of In Rem for the entire tax sale has been studied, examined, discussed, already been determined by many different sources not to be beneficial, and was therefore not enacted in 2019.

Significant and important changes have already made to the tax sale laws leading up to the 2017 Tax Sale Task Force and thereafter. This long laundry list of reforms, which have all been supported by the MTSPA and private party tax sale participants, is attached. Homeowner occupants are fully protected and it is now virtually impossible for a homeowner occupant to lose their home to tax sale foreclosure.

Almost all of the properties sold at the City tax sale are non-owner occupied properties, so why change to In Rem? In a normal tax sale year, where homeowner occupied properties are included, of the 26,0000 properties advertised for tax sale, only about 5% of the properties sold to private investors are homeowner occupied properties. See the City's own statistics from FY 2021 in the attached chart. Why is the City overhauling a system to allegedly protect vulnerable legacy homeowner occupants when 95% of the properties in tax sale are investor properties, and only 2.5% are legacy residents who are possibly vulnerable? The Mayor removed all homeowner occupied properties from the tax sale in 2022, so the issue of protecting homeowner occupants is moot. By seeking In Rem for the entire tax sale, the City is trying to solve a problem of protecting homeowners that does not exist! This is not about protecting homeowners, it is about shutting down the private sector in a power grab to create more bureaucratic bloat, and is shortsighted proposal that will cost the city tens of millions of dollars a year.

In addition, the City Administration analyzed converting to a full In Rem tax sale process after a detailed In Rem study and CCP report in 2017, and determined that going to a full In Rem tax sale was a bad idea at the time. See the draft CCP Report response from the prior Administration, attached. There were too many unknowns about the fiscal impact, and to date no one has done a detailed fiscal analysis. No one is for an In Rem system except for a few activists who have a political agenda. The Director of Finance, MACO, and the prior City administration ALL said that going to a full In Rem system is a bad idea. What we do know is that if the current tax sale system is abolished, the annual $20 million paid to the City in one day will vanish, which is a big problem. Even the current Chief of the City's Bureau of Revenue and collections recently echoed the same position in the recent Baltimore Banner news article"

> "Carla Nealy, chief of the city's Bureau of Revenue Collections, defended the system, noting that revenues from the tax sale generate $10 million to $20 million a year, representing 0.5% to 1% of the city's budget. In fiscal year 2022, the tax sale generated $12 million for the city, the majority from residential properties."

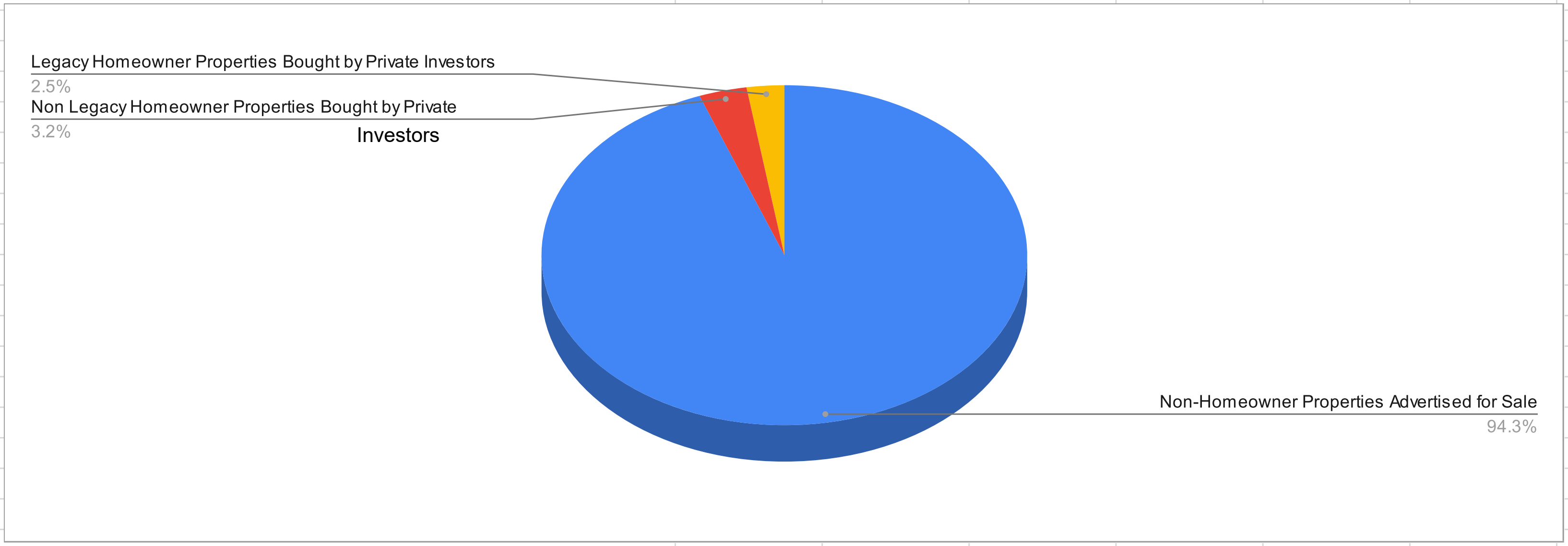
If the few activist supporters of this bill feel that such further drastic changes are needed to overhaul the entire tax sale system to an In Rem process, despite the in-depth study of the 2017 Task Force, the previous reforms that have been implemented, the 2019 denial of In Rem, and the opinions of the prior Administration, the prior Director of Finance, MACO, and the current Chief of Bureau of Revenue Collections, then the bill should be tabled to a later date so that the MTSPA, housing advocates, legislators, Director of Finance, and other stakeholders can give the law a thorough and detailed review to make sure that it is drafted correctly, is Constitutional, and will be the right long-term solution.

Very truly yours,

J Scott Morse

J. Scott Morse, Esq

FY 2021 Total Properties Advertised for Tax Sale Auction	15622
FY 2021 Properties Sold to Private Investors - Non Legacy Owner Occupied	527
FY 2021 Properties Sold to Private Investors - Legacy Property Owner Occupied	414



Many, many new laws and reforms, meetings, work groups, task forces, etc, have been done that relate to only a very small portion of the properties in tax sale. Less than half of the 5% of the homeowner occupied properties that are sold to investors at tax sale are owned by legacy residents (living in the property for 25 +years), so a very, very small number of the properties sold at tax sale are possibly vulnerable owners who need additional considerations. **Almost all the tax sale is non-owner occupied properties**.

Tax sale is a valuable revenue tool that has generated $50 million+ in revenue for the city FY18-20 just from the tax sale, not to mention the est. additional $30 million per year collected before the auction. The tax sale system should not be abandoned or wholesale replaced with an In Rem system because of the very small number of homeowner occupied properties that go into tax sale.

The facts are the 95% of the properties sold to private investors at tax sale are non-owner occupied, landlord owned, rental, and commercial properties where taxes are overdue and need to be collected.

FROM	
NAME & TITLE	Robert Cenname, Budget Director
AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774
SUBJECT	City Council Bill 20-0593—Tax Sales-Properties Exempt From Sale

CITY of BALTIMORE

MEMO

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

DATE: August 26, 2020

Position: Oppose

The Department of Finance is herein reporting on City Council Bill 20-0593, Tax Sales-Properties Exempt From Sale, the purpose of which is to prohibit certain properties from tax sale.

Background

Each year, Baltimore City holds an annual tax sale to collect delinquent real property taxes and other unpaid charges owed to the City, which are liens against the property. An owner-occupied property is eligible for tax sale if the combined total of city liens is $750 or more and a non-owner-occupied property is eligible at the threshold of $250. These liens include, but are not limited to, unpaid real property taxes, clean and board, environmental control, and residential registration charges and fees. The Maryland General Assembly passed legislation in 2015 that increased the threshold for owner-occupied properties from $250 to $750 and in 2019 that prohibits the inclusion of properties that are only delinquent water bills in the $750 tax sale eligibility threshold for owner-occupied properties.

The proposed legislation exempts certain properties from tax sale and requires annual reporting on the number of properties and outstanding taxes owed under this provision. The legislation specifically applies to properties that have an assessed value of $250,000 or less, the homeowner has resided in the dwelling for at least three years, and the homeowner either has a combined income of less than $40,000 or is at least 65 years old or is receiving disability benefits in some form.

Fiscal Impact

Historically, the City collects between one and two percent, or $8 million to $15 million, of real property tax revenues at tax sale. However, the Department of Finance is able to collect higher rates of delinquent taxes through the various stages of the tax sale process. For example, approximately 35% of the City real property tax revenues is collected after the first delinquent notice is sent. Property taxes are a major source of General Fund revenue for the City, almost 53% in Fiscal 2021, and the Department of Finance's Bureau of Revenue Collection (BRC) has averaged a 98% collection rate for real property taxes with tax sale. In addition, when properties enter the tax sale process, the City receives payment of liens by many mortgage companies in order to prevent properties from moving further in the process.

It is important to note that in the Fiscal 2018 and Fiscal 2019 tax sales, approximately 53.6%, or 6,468 properties, of the outstanding lien certificates were purchased by third party investors and 46.4%, or 5,600 properties, were acquired by the Mayor and City Council. Of the total $550.8 million of outstanding lien values during these years, the purchases by third party investors totaled $43 million, or 7.9% of the total outstanding lien values, while the other $507.8 million, or 92.1% of total outstanding lien values, were acquired by the Mayor and City Council.

The Department of Finance's analysis presents two scenarios and is based on tax sale data from 2018 and 2019. The first scenario reflects the homeowners who entered the 2018 and 2019 tax sale processes and would qualify to be removed from the process under this legislation. The second scenario reflects all homeowners eligible under this legislation, based on the number of homeowners who receive the City's Supplemental Homeowners' Tax Credit, who receive initial final bills and legal notices about delinquent property taxes. Currently, the homeowners reflected in the second scenario may not enter tax sale due to receipt of tax credits, assistance programs from the City or nonprofits, or personal payments as a result of receipt of these bills and notices.

	Scenario 1	**Scenario 2**
Eligible Homeowners and Properties	35	5,014
Average Assessment Value of Eligible Properties	$110,072	$113,900
Average Value of Liens of Eligible Properties (Property Taxes)	$2,474	$2,561
Total Value of Liens of Eligible Properties	$86,590	$12,841,000
Annual Impact (Real Property Tax Revenue Loss)	**$100,035**	**$13,767,000**

Based on these two scenarios, the City could face real property tax revenue loss ranging from $100,035 from 35 eligible properties to $13.7 million from over 5,000 eligible properties. The Department of Finance acknowledges that not all homeowners eligible under this legislation will stop paying property taxes; however, this legislation increases the City's exposure for lost revenue due to the number of homeowners who will not face this enforcement measure for not paying property taxes and may decide to not pay delinquent taxes.

Other Considerations

The Department of Finance supports the intentions of this legislation to maintain residents in their homes, specifically homeowners who are seniors, low-income, and/or receiving disability benefits. In addition, the Department is supportive of further studying the issue with partners to assess the problem and identify strategies and solutions that the City can support and invest in. However, the Department of Finance believes there are other actions that can and should be taken before making large exemptions to the tax sale program. In addition, there are several concerns related to the implementation of the legislation that should be discussed further before moving forward with this legislation.

Prevention Programs

There are several programs currently available to homeowners to reduce the burden of property taxes and decrease the likelihood of entering tax sale. The City has several programs to aid homeowners as well. The Baltimore City Department of Housing and Community Development's has a Tax Sale Coordination and Prevention Services program, which assists homeowners in avoiding tax sale and in understanding the tax sale process. The Baltimore City Health Department's Office of Aging and CARE Services reviews the tax sale list to identify seniors and works with them to prevent tax sale of their properties.

In addition, there is the State of Maryland Homeowners' Property Tax Credit Program, which sets a limit on the amount of property taxes a homeowner must pay based on income and is specifically for households that earn less than $60,000 in income. The City provides a supplemental to the Homeowners' Tax Credit Program to homeowners that are at least 62 years old, have resided in the property for at least

10 years, and have a combined income of less than $40,000. In fact, many of the homeowners that would qualify under this legislation qualify for the State and City program already. The Department of Finance believes that efforts can be made to raise awareness about these programs. As outlined in the fiscal impact section, many homeowners who qualify for these programs drastically reduce their property tax bill, some to the point of $0.

Implementation

BRC does not have access to the demographic data needed to make the qualification outlined in the legislation. Currently, BRC receives reports from Maryland State Department of Assessments and Taxation (SDAT) stating which properties that receive the State's Homeowners' Tax Credit are eligible for the City's supplemental credit program. It is possible a similar report about these criteria can be provided by SDAT and used to identify properties, based on those receiving the Homeowners' Tax Credit, that meet these criteria and remove them from the tax sale process. However, due to the short timeframe of this bill being introduced and the hearing scheduled, the agency has not been able to confirm this option.

Beyond agency operations, the Department of Finance has additional implementation concerns. The legislation's broad exemptions for certain populations eliminate the City's enforcement authority. The intent of the legislation is to address the needs of certain homeowners who are struggling to pay their current property taxes. However, this legislation enables homeowners who qualify under this law and are able to pay their property taxes to walk away from that responsibility. Additionally, while the properties may not enter into tax sale, the liens will continue to increase and may sit unpaid for years. This can result in a major tax burden for families if a homeowner dies and has not paid these taxes, or make it cost prohibitive for the property to be sold or developed because the liens are greater than the assessed value.

Conclusion

The Department of Finance supports the intention of the legislation to reduce the burden on homeowners, but opposes the current structuring of this legislation and what it means for the City's revenue and operations. The tax sale process is very complicated and there are several factors to consider when making changes like these, such as ability to implement, unintended consequences of broad exemptions, and impact on the City's revenue. The Department of Finance requests that the City Council hold work sessions on this legislation and continue to work with the Department to develop strategies and solutions that meet the intention of the bill, while maintaining the City's ability to enforce and collect property taxes.

For the reasons stated above, the Department of Finance opposes City Council Bill 20-0593.

cc: Henry Raymond
Matthew Stegman
Nina Themelis

House Bill 1209

Property Tax - Collection of Unpaid Taxes and Tax Sales

MACo Position: **OPPOSE**

To: Ways & Means Committee

Date: March 5, 2019

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 1209. This bill deprives counties of the opportunity to use an effective tool for enforcement – tax sale – by requiring counties to enact a law implementing judicial in rem tax foreclosure procedures for specified properties.

Counties are concerned that this legislation would result in significant revenue losses due to the bill's limitations on the use of tax sales to enforce liens. Specifically, HB 1209 would require counties to enact specified judicial in rem tax foreclosure legislation, including a requirement that the dwelling of an eligible homeowner not be subject to foreclosure and sale unless the tax on the dwelling (1) has been delinquent for at least 2 years; and (2) exceeds $1,000.

The tax sale process, or more specifically the potential for a property to go to tax sale, presents a much-needed tool of last resort to ensure that property owners remit payment for their fair share of taxes and charges connected to public services. Most counties in Maryland send properties to tax sale solely to enforce utility liens. This bill removes this leverage for all counties, and undoubtedly would create many more deficient accounts for utility bills from lack of enforcement – leading to increased rates on residents who properly pay.

All property owners deserve full and adequate notice of any collection efforts to collect taxes or charges assessed on the property – and as such, every county has procedures to ensure ample notice is provided prior to tax sale. Additionally, property owners have the right to redeem property within six months from the date of any tax sale by paying the amount owed. The tax sale process includes multiple checks and balances to ensure that local governments can collect overdue fees without unjustly depriving taxpayers of due process.

HB 1209 undermines local governments' most effective collection tool, and would lead to greater delinquency and default on utility bills, which would result in higher rates on other ratepayers. For these reasons, MACo **OPPOSES** HB 1209 and urges an **UNFAVORABLE** report.

POSSIBLE DRAFT RESPONSE TO IN REM PROPOSAL FROM BALIMORE CITY IN 2017

In March of 2016, the Mayor and City Council of Baltimore was one of three governments selected for the Technical Assistance Scholarship Program ("TASP") by the Center for Community Progress. The TASP application was submitted by the City's Department of Finance in partnership with the Baltimore City Tax Sale Working Group, which consists of community leaders committed to improving the tax sale process. The partners recognized the value of City real property tax revenue to all citizens and agreed to three goals in the application:

1. Improving the tax sale process while supporting revenue collection,
2. Reducing vacant and abandoned properties in the city, and
3. Protecting vulnerable owners who reside in their properties

We want to acknowledge with gratitude the hard work of Kim Graziani and Frank Alexander of the Center for Community Progress. We view their final TASP Report as an opportunity to consider new ways to fulfill our three goals.

Our response reflects consolidated feedback from the City's Departments of Finance, Law, Housing and Community Development, and Public Works, but not the Tax Sale Working Group. The format for our response follows the Key Observations in the Report.

We have not responded to every statement, finding, observation, or recommendation in the Report because we had a limited period of time. Our failure to respond to any such item should not be construed as either a rejection of or agreement with any item.

Overall Goals of the Report

Beginning on page 15, the Report identifies three hallmarks of an optimum tax sale system: that it is equitable, efficient, and effective. We agree.

As stated in the Report, an equitable system is premised on a fair assessment system. In Maryland, personal and real property assessments are performed by the State and the City has no authority over them. The parties responsible for assessments and for tax rates deliberately are kept separate to protect the taxpayers and to foster confidence in the fairness of the tax system.

The Report points out that an efficient system provides clarity and predictability about the priority of liens, the amount of liens, and the time frames for payment in a manner consistent with local governments' budgets and revenue processes. While the Report states that the current tax sale system creates inefficiencies, it does not point to actual evidence that its recommendations would produce a better result. The Report acknowledges that the City does very well collecting liens in the time period between the Final Bills and Legal Notices in February and the May tax sale. In addition, a substantial number of tax sale certificates are redeemed after tax sale but many certificates end up held by the City because there are no private bidders.

An effective system yields the maximum tax revenue and, in the event of nonpayment, results in the transfer of the property to a new responsible owner through an insurable and marketable title. While not perfect, the current revenue process, including tax sale, collects the vast majority of taxes and municipal charges and removes the City from the business of suing citizens, evicting them from their homes, and garnishing and attaching their personal property. Current State law elevates municipal liens to a "super priority" status, ahead of private mortgages. Even though we have not encountered a general problem with "uninsurable titles" or "clouds on titles" resulting from a tax sale, these problems may have occurred and we just were not aware of them because they occurred after the City's involvement in the tax sale process ended for the involved properties. Certainly, as a general rule, when the City forecloses on tax sale certificates to vacant and abandoned properties, the resulting titles have been insurable and marketable.

In light of the three goals of the Report, we agree that our processes can be improved and we look forward to implementing the best tax sale practices as used by other jurisdictions, if the practices are compatible with the City's objectives and capacities.

The Report's Major Recommendation

The final TASP Report's Key Observation 3.2 on page 23 recommends changing the current tax sale system from a sale of liens in exchange for a certificate that, unless redeemed, can be used to transfer ownership of the property from the current owner to the certificate purchaser to a single-step, actual sale of the property after the City has completed judicial proceedings to obtain orders of sale for each property. The winning bidder would receive a clear, fee simple, title to the property and, if there were no bids, then the City would receive title. Key Observations 2.4, 2.5, 2.6, 4.7, and 4.8. There would be no redemptions. Key Observation 2.2.

Changing the tax sale system could require the City to sue *in rem* on all properties eligible for tax sale each year. Key Observations 2.7 and 3.13. The City would have to provide a level of Constitutionally required notice to the holders of any interest in the property under *Mennonite Board of Missions v. Adams,* 462 U.S. 791 (1983). Key Observation 2.8. Redemption could be allowed only until the City completes foreclosure and obtains title. Key Observation 2.9

Related to these recommendations is the suggestion that they could be accomplished by passing enabling legislation at the State level. Appendix C. The legislation would permit, but not require, local jurisdictions to conduct tax sales in this manner. They would be free to continue conducting tax sales of certificates unless they enacted local laws to make the change.

If adopted by the City through local ordinances, then these recommendations would result in a fundamental change to the way tax sales are conducted in the city. However, it is not possible to determine from the Report whether the change would be revenue-neutral. While some expenses, such as the Law department's costs for filing civil actions to recover real property taxes and the Housing department's costs for citing owners for code violations, would be reduced, it is clear that other expenses would increase.

Under the current tax sale process, when the City sells liens that are likely to be redeemed, it is paid immediately for the uncollected taxes. It appears from the Report that the new system would create a delay in collecting this revenue. This delay has a cost. In the City's 2015 tax sale, it collected over $21,000,000 on such certificates and, upon redemption investors collected about

$1,000,000 in interest. Collecting $21,000,000 on a single day may be more valuable to the City than collecting $22,000,000 over an extended period of time.

Neither the cost reductions nor increases as the result of acquisition and maintaining the acquired properties are quantified in the Report. However, a cursory analysis of the projected expenses for acquisition can be performed using the data from the City's most recent tax sale and estimated costs.

In the May 2016 tax sale, the City offered 9,892 properties on the day of the online auction. The Report would have required the City to obtain a comprehensive title report, to provide *Mennonite*-level notice to all interested parties, to post an additional notice, and to file an *in rem* judicial action seeking an order to sell each property in the auction. The City would have incurred substantial, costs, not recoverable costs under current law.

Had the Report's major recommendation been in place, it is doubtful that the Law department's present staff would have been large enough to file 9,892 *in rem* actions in one year. Additional staff or outside counsel would have had to have been employed. Current law allows private parties to charge between $500 and $1,500 in attorneys' fees for tax sale foreclosures. MD. TAX-PROP. ART., §14-843. The attorneys' fees for 9,892 actions could have been between $4,946,000 and $14,838,000. Disregarding volume discounts, the average cost of a title report is about $150. Current tax law allows up to $250 for a title search fee. MD. TAX-PROP. ART., §14-833. If enough title researchers could be found, then the title reports for 9,892 properties alone could have cost the City between $1,483,800 and $2,473,000. Certified and restricted mailing costs for *Mennonite*- level notice and the staff time to provide it generally run about $77 per property, another cost of almost $761,700. Even a quick calculation of the expenses of acquisition demonstrates that the costs are likely to exceed the savings.

In the 2016 tax sale, there were no bidders on 4,176 properties and the City took possession of their certificates. After completing the *in rem* judicial actions for those properties, the City would then have had to maintain them until suitable buyers could be found. The 4,176 included occupied properties and the City would have had to evict the owners. The Report does not quantify the costs of maintaining the newly acquired properties. It notes that the City already spends time and monetary resources citing and securing properties without the rights of full ownership. However, full ownership of a large inventory of distressed properties would multiply the expenses and create new civil liability for the City, such as for lead paint contamination. Each year, the City exhausts its property maintenance budget in shoring up or razing City-owned properties causing damage to neighboring, privately-owned properties. For full ownership, another massive investment by the City would be required that is not measured in the Report.

Further related to the City's acquiring properties with unsold liens is Key Observation 3.1 in which the Report recommends that the City retain the certificates most likely to redeem, certificates that now are purchased by investors. It points out that between about $1,000,000 and $2,000,000 in interest paid to investors could be paid to the City. Any increased revenue from redemption interest does not appear large enough to offset the expenses of acquisition and maintenance. However, a more detailed evaluation is necessary.

After acquiring and maintaining the new properties, the City would need to identify uses for them. Many are isolated, significantly deteriorated, or too small in area to develop. The City would become the landlord for other properties, responsible for collecting rent and making repairs until a buyer could be found. The Report does not identify uses or estimate how long resale would take. Even if the City had the resources to acquire and to maintain another 4,176 properties, there currently is no comprehensive plan to handle such a large inventory.

In the decade prior to the current decade, the City's Project 5000 project resulted in the City owning over 5,000 vacant and abandoned properties in the city. The lessons learned from that effort – and the costs and challenges that came with owning that many properties without a solid plan for what to do with them – led the City leadership, including the Housing department and the Mayor's Office, to develop the Vacants to Value initiative, which emphasizes, among other measures, the streamlined sale of City-owned properties and the use of receiverships. It is possible for the City to gain title to vacant properties without switching to a one-step tax sale system. As Project 5000 demonstrated, a surge in court proceedings can result in City ownership of a significant portion of the vacant properties in the city regardless of whether a one-step or the standard certificate process is used. However, just the 2016 tax sale would have almost doubled the size of the City-owned portfolio.

Under the current State law, a tax sale certificate is void unless a judicial action to foreclose the right of redemption and to transfer the property is filed within two years after the sale. Many unsold and unforeclosed certificates from the 2015 tax sale will not be eligible for tax sale again until 2017. As a result, we can expect another large number of unsold certificates in the 2017 tax sale. Had the report's recommendation been in force, we would have expected another round of about 10,000 properties for filing and another 4,000 properties to maintain and to sell in 2017.

More generally, the Report consistently identifies the tax sale process as contributing to the problem of vacant buildings. For example, it states on page 10 that by selling tax liens, the City loses leverage in the collection process which may lead to investors choosing to hold the liens and to speculate on future interest rather than foreclosing and selling to a responsible party. The Report also observes that properties with liens in excess of their fair market value, "upside down", continually recycle through tax sales in successive years. In both circumstances, the Report assumes, without proving, that there is a cause and effect between tax sales and vacancy. In fact, the City's experience suggests that weak and failing markets are directly responsible for vacancy and that the tax sale itself is not a contributing cause of vacancy. As with other conclusions contained in the Report, the hypothesis that the recycling of certificates actually contributes to vacancy, rather than merely being correlated with vacancy, would be strengthened by data.

In addition to not quantifying costs, the Report does not mention ground rents. Maryland has a long, historic use of ground rents that has been reformed in recent years. Any major change in the tax sale system must consider the effect on the rights of ground rent owners.

Another issue that we encounter but is unaddressed in the Report is the failure to probate properties. It is not unusual for children whose parents die to keep the property in the deceased's names. Bills and notices continue to be mailed to the deceased, not the children who may or may not pay all the taxes and other municipal charges but who may continue to reap the benefit of the parents' tax credits that would not apply to them if the property were probated. We would like to learn how other jurisdictions deal with this issue with respect to tax sales.

The Report appears to assume that few, if any, certificates held by the City are ever redeemed and states in Key Observation 3.5 that the City should not account for upside down liens as receivables. The City already has accounted for them for many years. In fact, some City-held certificates are redeemed and the City received the interest. Not all today's upside down properties always remain upside down as contemplated in the Report.

While not common, the City may ultimately be paid for liens even on properties whose present lien amounts exceed their fair market value. A lien remains a lien on a property until paid and must be paid when the property transfers. BALTO. CITY CHARTER, ART. VII, §13; BALTO. CITY CODE, ART. 28, §2-6. There is no statute of limitations on paying liens. Over time, a property's value may sufficiently increase due to external factors to become attractive to a buyer in spite of the liens.

In conclusion, any change to the tax sale system as radical as the major recommendation in the Report should not be implemented without careful consideration and measured steps. Any implementation of the suggestions would have to be undertaken over time. <u>City agencies and other stakeholders would have to evaluate each suggestion to determine the cost of implementation, the additional assets required, and the impact on revenue. The agencies may decide that they need a work group to coordinate their ideas and efforts so that the improvement of the tax sale process does not inadvertently impair the other missions of the agencies</u>. Because the Report recommends State enabling legislation and then local adopting legislation, we conclude that the implementation of any recommendations, <u>if approved by the City</u>, be made over the course of several years, perhaps using a phased-in or pilot approach.

Other Recommendations in the Report

In Key Observation 2.3 and 3.7, the Report recommends reducing lien amounts to the fair market value of the property to encourage private sales and to prevent recycling of properties through multiple tax sales. We have long recognized this problem, as have realtors, developers, and the business and banking communities.

The City has a "vendor lien" program which allows the assignment of individual City-owned tax sale certificates to a private party for the greater of the unpaid flat taxes and water charges or the appraised value of the property. The Board of Estimates reviews the specific proposed reductions and approves the sale. In effect, the Report proposes a general "vendor lien" reduction of the liens on all tax-delinquent properties for which the liens exceed the value.

We agree that a solution to the recycling problem is needed but a radical change to the tax sale system is not necessary for a fix. A sudden, wholesale abatement of liens would benefit scofflaw owners by permitting them to re-purchase their own properties at tax sale free of their prior obligations. The City can explore ways of gradually reducing liens while ensuring owners do not obtain a windfall. In addition, the liens have been reported in the City's budgets as receivables and in the City's bond disclosures. Any solution needs to consider the City's accounting and bond obligations, issues not addressed in the Report.

Key Observation 3.10 recommends amending State law to permit the City, when it holds the tax sale certificates, immediately to initiate foreclosure on all properties other than those that are owner-occupied. State law already allows the City immediately to foreclose on all vacant properties or improved properties subject to vacant building notices. MD. TAX-PROP. ART. §14-833. The proposed change would allow the City to foreclose on certificates to many properties that are occupied by tenants. The City would be reluctant to exercise its right to foreclose on such properties because it would be faced with either relocating lawful occupants or becoming the landlord for rental properties.

The Report also recommends replacing the annual State Homeowners Tax Credit ("HTC") with a blanket $50,000 assessment exemption, regardless of the annual income or net worth of the owner. Key Observation 5.1. The dollar amount was an example and not supported by a financial analysis. A lesser or greater amount may ensure revenue-neutrality. However, any amount of such a credit would be regressive and provides high income owners with the same tax reduction as low income owners. It also may raise questions of equal treatment if some local jurisdictions prefer to keep the current credit.

Once again, study is needed. Perhaps a more targeted low-income credit would be more effective with fewer problems. For example, an assessment credit could be applied only to owners who already qualify for the HTC or only to owners over the age of 65 who otherwise already qualify for the HTC. Such targeted relief would have the administrative burdens and costs that the Report seeks to reduce but it may be preferable to carry administrative costs than to make the City's tax system more regressive. Similar ideas are found in the Report's Key Observation 5.2

The Report's Key Observation 5.3 suggests that the City submit electronic data to the State Department of Assessments and Taxation of all mortgage foreclosure deeds as a presumptive trigger for loss of the HTC and Homestead Tax Credit. The City does not have the data. Only the Circuit Court, a State agency, has it. We have some tax sale foreclosure data but no mortgage foreclosure data. However, the Finance department's Tax Integrity unit can explore this suggestion.

Key Observation 5.4 recommends excluding all owner-occupied properties from tax sale. Unfortunately, approximately half of the properties in the City's annual tax sale are owner-occupied. The City can ill-afford such a loss or delay of revenue. Moreover, as the Report correctly points out, the pre-tax sale notices from February through April generate many times the amount of revenue than the May tax sale generates. It is the threat of tax sale that is most effective.

Finally, Key Observation 5.5 recommends providing vulnerable owners or owners who reside in their own properties with greater notice, longer timelines for bill payment, or direct legal services. In 2015, the City championed changes to State tax sale laws in House Bill 1035. The enactment lengthened the deadlines for filing foreclosures on owner-occupied properties, raised the lien threshold from $350 to $750 for such properties, authorized redemption payment plans, and created a tax sales ombudsperson position. This year, the City enacted City Council Bill 16-0614 which reduced the redemption interest rate from 18% to 12% for owner-occupied properties. Because tax sale certificates remain viable for two years after issue, we need time to determine the effectiveness of all these changes on vulnerable owners.

Other Comments to the Report

The Report concedes that it does not fully analyze the role that water liens play in the tax sale process. In the past, water bills and liens have come under intense scrutiny and we have high hopes that the new billing system and customer access will alleviate the problems. The City's water billing system is property, rather than account or customer, based like other cities mentioned in meetings with the Report's authors. Earlier studies by the Center for Community Progress include cities that directly allow for tenant-owned water bills, meaning that those charges would not be liens on the property.

The Report also does not describe the experiences of other jurisdictions that have a single-step tax sale process. We need to know those details before we can determine if the recommendations in the Report are the best practices.

Conclusion

In closing, we want to reiterate our appreciation for this opportunity to consider the Report recommendations and to implement changes to enhance the tax sale system. We view it as the starting point for an on-going investigation of ways to improve our tax sale process.

We recognize that the City's tax sale is supported by an aging computer system that ultimately must be replaced. The Finance department, with the Mayor's Office of Information Technology, has begun the groundwork for replacing the Mainframe computer that controls the real property, liens, and tax sale systems. A new system will allow us to take advantage of deeper data mining and a more comprehensive analysis of the costs and benefits of the final TASP Report.

WORKING TOGETHER

- The Maryland Tax Sale Participants Association (MTSPA) consists of Maryland citizens, community investors, neighborhood rehabilitation specialists, experienced attorneys, and business owners.
- We are focused on growing strong relationships with municipality taxing authorities, and being valuable partners in ensuring an equitable, efficient, and effective tax sale system throughout the State of Maryland.
- Baltimore City's Tax Sale System has been analyzed, examined, and studied repeatedly, and has been significantly reformed over the past 13 years for the benefit of owner occupants and vulnerable owners. Today, Baltimore City provides significant and sufficient safeguards and programs to protect homeowners and vulnerable citizens.
- Unfortunately, advocates for a Baltimore City Tax Sale overhaul have set forth a false narrative and misconstrued the data that will ultimately hurt the City of Baltimore.
- Tax Sale overhaul is unwise, costly, ineffective, and inefficient. Primary concerns and proposals set forth by overhaul advocates can be addressed and incorporated within the current programs. Better efforts are needed to raise awareness about available programs that can provide significant homeowner assistance, address advocacy concerns, and allow the City to still utilize tax sale as an effective collection tool.
- MTSPA members and affiliates are proven partners who have helped City budget concerns, while working with legislators and community advocates to help improve the current tax sale system.
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TAX SALE WORKS

→ The City's budget is hurting, and federal funds won't last long. Half of the City's budget comes from property taxes. The City received $18.8 million ***in one day*** through the 2021 Tax Sale.

→ The City relies on tax sale to recoup lost revenue from the non-payment of property taxes. Limiting tax sale as a tool creates two problems: (1) increases the tax burden on current taxpayers, and (2) will cut the funding to vital services needed to stabilize communities and avoid blight.

→ The Maryland Court of Special Appeals has stated: "Maryland's tax sale mechanism is an effective means of collecting property taxes for the state and is critical to the state's need to provide a source of revenue for a host of government services provided to its citizens." *Royal Plaza Cmty. Ass'n Bonds*, 389 Md. At 204-05 (2005) "Tax sale purchasers are regarded as performing a publics service." *Heartwood I*, 156 Md. App. at 364.

→ The Maryland Association of Counties (MACO) opposed HB 1209 in 2019, a bill that "deprives counties of the opportunity to use an ***effective for enforcement*** – tax sale…" When advocacy groups try to limit the use of tax sales to enforce liens, counties become concerned with "significant revenue losses." "The tax sale process, or more specifically the potential for a property to go to tax sale, presents a much-needed tool of last resort to ensure that property owners remit payments for their fair share of taxes and charges connected to public services." "The tax sale process includes multiple checks and balances to ensure that local governments can collect overdue fees ***without unjustly depriving taxpayers of due process***."

→ Tax Sale is an effective deterrent to tax delinquencies. In his 2020 written testimony, the City's Budget Director testified that 35% of the City real property tax revenues is collected after the first delinquent notice is sent. "Property taxes are a major source of General Fund revenue for the City, almost 53% in Fiscal 2021, and the Department of Finance's Bureau of Revenue Collection has ***averaged a 98% collection rate for real property taxes with tax sale***."

→ Many homeowners qualify for tax sale exemption, tax credits, and assistance programs. Limiting the tax sale even further "increases the City's exposure for lost revenue due to the number of homeowners who will not face this enforcement measure [tax sale] for not paying property taxes and may decide to not pay delinquent taxes." – 2020 written testimony from the City's Budget Director.

→ "Tax Sale is the process in which Baltimore City sells property liens to generate revenue. Baltimore City pre-tax notices prompt 20,000-25,000 property owners annually to pay overdue bills." – Alice Kennedy, Acting Housing Commissioner, 2021 written testimony for 21-0024R.

RECENT CHANGES + CURENT PROGRAMS

- → **2015 Change:** Increased threshold under which homeowners are withheld from tax sale (was $250 now $750).
- → **2015 Change:** Decreased interest percentage for homeowners (was 18% now 12% in City).
- → **2015 Change:** Increased City homeowner's "grace period" from 4 to 7 months – allows homeowners to satisfy tax lien without paying costs incurred by tax lien holder.
- → **2019 Change:** Allowed Baltimore to exclude water bills from tax sale for homeowners
- → **2020 Change:** Created legislation allowing for jurisdictions to remove certain homeowners from tax sale – elderly, low income, and disabled.
- → **2020 Change:** Created Tax Sale Ombudsman at SDAT – creates annual reports, assists residents with the tax sale process, collects data, and on the City level.
- → **2020 Change:** Exempt certain homeowners from tax sale – up to $2 million in 2020.
- → **2020 Change:** Allowed installment payments for City property taxes.
- → **2021 Change:** Created legislation for the State of Maryland to purchase up to $750,000 in homeowner liens and work directly with the homeowners to pay down the debt.
- → **2021 Change:** Eliminated the requirement to pay current taxes at the same time when satisfying back taxes.
- → **2021 Change:** Requires itemization of tax bill and list of resources in the pre-tax sale notices.
- → **2022 Change:** Allows counties to withhold from tax sale owner-occupied residential property and requiring the property to meet certain criteria; allows counties to withhold from tax sale a residential property or property owned by a nonprofit organization that is enrolled in a certain payment program; and allowing a counties to cancel or postpone a tax sale during a state of emergency.
- → **Current Program:** Creation of the Division of Homeownership and Housing Preservation, Tax Sale Coordination within the City's DHCH, which assists homeowners in avoiding tax sale and in understanding the tax sale process by: promoting tax sale clinics, conducting community-based information sessions and connecting homeowners with additional resources such as state and city tax credits.
- → **Current Program:** City's Health Department's Office of Aging and CARE Services reviews the tax sale list to identify seniors and works with them to prevent tax sale.
- → **Current Program:** State of Maryland's Property Tax Credit Program, which sets a limit on the amount of property taxes a homeowner must pay based on income and is ***specifically for households that earn less than $60,000 in income***.

→ **Current Program:** City provides a supplemental to the Homeowner's Tax Credit Program to homeowner's that are at least 62 years old, have resided in the property for at least 10 years, and have a combined income of less than $40,000. "The Department of Finance believes that efforts can be made to raise awareness about these [the above] programs." – 2020 written testimony from City's Budget Director.

FALSE NARRATIVE

FALSE NARRATIVE: “Tax Sale is the predatory method of collecting delinquent property taxes, liens, and water bills that we have in Maryland.” “An investor may purchase the lien and turn to the homeowner to get reimbursed in addition to legal fees and up to 12% interest. This is why it is predatory.”

FACT: The Oxford Dictionary defines “predatory” as “seeking to exploit or oppress others.” The City’s Tax Sale does not *seek* to exploit or oppress anyone, and it does not differentiate between race, age, or employment – it’s a much-needed tool of last resort to collect on tax delinquencies and ensure property owners remit payments for their share of taxes and charges connected to public services. Homeowners can avoid tax sale by paying their taxes or applying to many available programs designed to help homeowners avoid tax sale. If a homeowner is in tax sale, there are many programs available to assist in paying off the debt.

FALSE NARRATIVE: “In tax sale, a property whose taxes and liens are delinquent is sent to tax sale each May in Baltimore…Generally, the families who end up this situation are older adults who have paid off their home or are in the family home.” “Tax sale is the predatory process of collecting taxes, liens and other fines, and generally older adults are the targets.”

FACT: Vast majority of City properties that went to tax sale between 2018 and 2020 were ***NOT*** owner-occupied, let alone older adults who paid off their home. Only 15% were owner-occupied during this time (Source: page 6 of Presentation from City’s Director of Finance Office for Informational Hearing on City Tax Sale, July 20, 2021)

FALSE NARRATIVE: “Poor families, seniors on fixed incomes and the disabled have lost their homes without compensation because of the tax sale. Instead of returning homes to the tax rolls, today’s predatory system has left thousands of homes abandoned, driving struggling neighborhoods into decay.”

FACT: The extreme vast majority of tax sale cases are ***paid off way before a foreclosure occurs***. Tax sale foreclosures ***rarely occur***, and if they do it’s usually on a ***vacant property***. In fact, many tax lien holders have ***assisted*** poor families, seniors on fixed incomes and the disabled to avoid foreclosure and provide payment plans and debt forgiveness. Advocacy groups have used one-off cases to present a ***false narrative*** about the City’s tax sale. Additionally, property owners are always entitled to the bid balance once a foreclosure occurs, which many times equals the property’s market value or higher. Lastly, once a tax sale foreclosure occurs, the property is either sold to a marketable third party or renovated by the tax lien holder, thereby putting properties back on the tax rolls and ***preventing*** blight. Not having a tax sale would increase the chances of blight.

FALSE NARRATIVE: "The overwhelming majority of these homeowners [in tax sale] are concentrated in Baltimore's Black Butterfly and are low income and elderly." "…mostly Black, elderly, and low-income homeowners, whose homes are targeted by investors because they are more likely to pay than the speculators who have abandoned properties." "The tax sale penalizes poverty. Many of those paying this penalty are suffering from poor economic conditions created and maintained by racist government policies. It rewards investors for being willing to exploit the poor so the city can get some quick cash."

> **FACT**: Most City properties that went to tax sale between 2018 and 2020 were NOT owner-occupied, let alone older adults who paid off their home. Only 15% were owner-occupied during this time (Source: page 6 of Presentation from City's Director of Finance Office for Informational Hearing on City Tax Sale, July 20, 2021). "BCIT (Baltimore City Office of Information and Technology) can provide data about properties that are owner-occupied vs. non-owner occupied, and BCIT can distinguish those over that have owned their property for more than 25 years. However, BCIT is unable to provide any age-related information." The City's Tax Sale does not seek to exploit or oppress anyone, and it does not differentiate between race, age, or employment – it's a much-needed tool of last resort to collect on tax delinquencies and ensure property owners remit payments for their share of taxes and charges connected to public services.

SB 766 oppose.pdf
Uploaded by: William Carey
Position: UNF

Opposition to SB 766

Senate Bill 766 is designed to do essentially two things. First to allow the Baltimore City to remove any or all residential (as opposed to simply owner occupied) properties from the current tax sale and put people on a payment plan. Next to allow the city to then foreclose on those properties via the new “In Rem” foreclosure process. After three years.

The narrative pushing Senate Bill 766 is that:

- The current tax sale process is ineffective, bad, or downright evil.
- The new "In Rem" process is better.

Neither of these is true. I will address both with some bullet points, and further below flesh out these points in detail if you are interested in read more.

The problem is those pushing these narratives have gone unchallenged for 5 years. They are grossly exaggerating the harm of tax sale and totally ignoring the tremendous benefits.

There are serious problems with this bill.

1) We ALL (including me and other tax sale investors) want to see vulnerable populations protected. The problem is this bill takes out ALL residential properties out of the tax sale, NOT just owner occupants. It also removes from the sale properties owned by out of state owners, landlords and irresponsible businesses. Should a Business entity like an LLC or Corporation be protected from consequences of not paying taxes?

2) While well intended this bill ignores the tremendous amount of money collected before the tax sale due to the impending sale, and the tremendous rush right after the sale of people hoping it is not to late to pay. (It is not, too late.) Would these owners still pay without the risk of loss?

3) The move of these properties to the “In Rem” system is not only unnecessary (see bullet points below) It will delay collection of taxes on these properties for three years. It will also mean an additional 3 years of deterioration and risk of vacancy. This is CONTRARY to the stated goals of the advocates pushing this bill.

4) While this bill applies only to Baltimore city. I fully understand the political rational to allow Baltimore city to have what it wants. However, Baltimore city would be bankrupt without state dollars supporting it. Is it fair to the rest of the residents of this state to enable the city in its poor collection efforts?

I strongly oppose this bill. I would support an Amendment to limit to owner occupied homes or to limit to specific ages or income status.

Sincerely,

Ned Carey

I offer the bullet points below to back up my statements above.

1) Tax Sale has many benefits beyond just tax revenue collection.

In addition to tax revenue collected, (which would drop under the new bill), tax sale is a terrific way of

- Getting vacant properties back into productive use.
- Helping tenants buy properties at below market prices.
- Providing employment for low skilled and blue-collar workers
- Getting derelict properties OUT of the hands of irresponsible landlords and business people.

My company alone has led to hundreds of properties being renovated. This refutes the narrative that "Tax Sale Causes Blight" No investor would buy a tax lien on vacant property hoping "I'll just collect interest or walk away from my investment." To risk 100% of your investment to possibly earn 18% doesn't make sense. Anyone who bids on vacant properties does so with the specific intent of taking the property.

The personal stories; examples of how this process can work!

a. We sold a property to tenants for $12,000. Redfin, an online brokerage, estimates the home is worth $37,000 today. No tax sale foreclosures have been filed since on this property and this couple will not have to pay rent for the rest of their lives and they are building equity.

b. Another tenant I sold a property to once texted me to say.

   "You changed my life."

   Before she had even finished making payments to us, my company helped her resell her house and put $12,000 in her pocket. More money than this young woman had ever seen at one time in her entire life. She now owns her own used car business, which was her dream. I am sure she would be willing to share her story. I would be happy to reach out to her.

c. A man who cut lawns for a living lost his home to a fire. He became homeless and lived in his truck. He now regularly works for us changing locks, cleanout and hauling of properties, general maintenance etc. He credits us and the work we give him for getting him back on his feet. He has since gotten married and lives ins home they own. A homeless man now has a stable happy life due to tax sale. His name is Anthony Williams and he signed up to testify at the hearing but was unable to unmute himself in time.

These stories would not happen with the new In Rem auctions. I'd be happy to explain why if you wanted to know in more detail.

Out of state owners, corporate ownership, and landlords

Perhaps one of the biggest benefits to tax sale is it is a process to collect from landlords and business people, that are collecting rents but not paying taxes. The majority residential properties in the tax sale are owned by landlords, out of state owners, LLCs, Corporations, or other business entities. Many properties we take are rented with a tenant in them, however the property does not have a lead certificate, it is not registered with the city, it would not pass a rental inspection and is in terrible shape. The landlord is collecting rent but not paying taxes. Tax sale foreclosed properties are universally decrepit, have leaking roofs, unsanitary conditions and would not pass a housing code or rental license inspection. Why should we create a system to enable these irresponsible choices?

A good example of an irresponsible owner is ABC capital. ABC Capital hit with three new federal lawsuits They are apparently one of the largest owners of vacant properties in the city. If the reports are true, they are outright criminals and scammers. I am proud that I have been able have taken vacant properties from them and resold them to responsible renovators. It is not just me that benefits from this. The city and the local neighborhood benefit too.

These stories are ***much more typical*** than the stories of tragedy you hear from housing advocates. Due to subtleties of timing, economics, and process details, most of these stories would not happen under the In Rem system.

2) Problems with the tax sale system are greatly exaggerated.

Baltimore City Delegation Hearing testimony included a story about a Hispanic family that lost their house because they did not speak English nor understand what the notices meant. I do not doubt that story, however in over 500 foreclosures my company has done, this situation has come up only once. That was for a commercial property which would not be affected by this bill. Other stories while tragic, represent a very tiny minority of tax sale cases.

3) The “In Rem” process is not only inferior it is totally unnecessary.

This new In Rem process is different from the traditional tax sale system and limits potential income to the city while being questionable constitutionally.

The city has always had the right to foreclose on their own liens. It did so effectively in the O’Malley administration via project 5000. Sadly, it no longer does with the frequency it could. The city is the largest owner of liens on vacant housing. Rather than creating a new system, why don’t the advocates push for the city to foreclose on the thousands of vacant property liens they have now?

Due to the way the In Rem law is written the city cannot collect more that the taxes owed. Under the current system the **city can receive more money** than the taxes owed from the sale of a property. The advocates want to dismantle the old system that is more beneficial to the city and replace it with the new In Rem system they have created.

Housing advocates want the city to do more In Rem foreclosures to address the vacant house problem, but sadly Baltimore City is not very good at disposing of properties. Project 5000 was a failure, not because they struggled to acquire 5000 properties but because they struggled to sell those properties. The city has had a number of programs over the years; SCOPE, Vacants to Value and the Receivership program. By her own admission Odette Ramos doesn't think the city receivership program is very effective. Yet somehow, she thinks the city's In Rem foreclosures will fix everything.

4) The Statistics supporting this bill have been manipulated.

You have probably heard the Mark Twain saying, "There are three kinds of lies: Lies, damn lies, and statistics." The statistics you have been exposed to may have been manipulated or simply false. This could be seen in the City Delegation public hearing when Delagate Sandy Rosenburg questioned Dan Ellis, he admitted the statistic he offered was wrong. The reality is he quoted a statistic of how many Residential (non commercial) properties went into the sale. Owner-occupied numbers are MUCH lower.

Even SDAT statistics on owner-occupied status are not accurate. My personal experience is that many of the properties we ultimately foreclose on which are listed as owner-occupied are not currently owner-occupied.

The Baltimore Banner in their recent article on tax sale Tax sale nightmare: How an unpaid bill can cost Baltimore homeowners thousands, or even their homes admits

> "And it's only in rare cases that the properties themselves are acquired at all: Lienholders obtained the deed to the property in just 2.7% of cases."

Given that about 8,000 to 10,000 properties go into the tax sale every year that equates to 216 to 270 properties changing hands due to foreclosure. Further most of those 250~ properties are vacant, or investor owned. It is a tragedy whenever someone loses their home, however the scale of the problem is much smaller than advocates would have you believe. The rare exception is easily handled by creating safety nets and tweaks to existing law.

The Baltimore Banner article mentioned above, refers to a woman who struggled due to covid, who wound up in tax sale. Fortunately, a program was designed specifically to help people in this situation and she was able to keep her home. While the article presented it as awful that tax sale almost cost the woman her home; the reality is the safety net did exactly what it was designed to do.

Many protections have been added to the tax sale code especially recently. I support these. Wholesale changing of the code is not justified.

5) Manipulative rhetoric.

Housing advocates have often used inflammatory language against tax sale that is easy to throw out without justification. This is a manipulative tool to influence people to your point of view without providing substance.

A common retort you hear is that tax sale is “Predatory” Why is it less predatory if the city takes a property via foreclosure vs a private investor?

Why is it less “predatory” if the city collects the high interest rates vs an investor collecting a much lower interest rate? Advocates leave out the part that investors collect less money on their investment that the city does as normal late charges. Due to the way bidding works in Maryland, investors earn a lower rate on their money invested than the city gets in normal late charges. Interest gets bid down to as low as 2-4% in recent years.

You also hear about “greedy” investors are charging “exorbitant” interest rates. Did you know that investors generally get a lower rate than the city collects? The high interest rates are charged regardless of if the property goes into tax sale. The 18% interest is the rate that all citizens pay for late water bills and property tax payments. When an owner occupied property in Baltimore city goes into tax sale the interest rate drops to 12% for the tax sale investor. 18% and 12% are the starting interest rates for investors which are then bid DOWN.

6) False assertions.

An online post by Shelterforce [vacant homes wither under flawed tax sale system] Quoted Dan Ellis referring to foreclosures on vacant houses, as saying,

> “the certificate cannot be redeemed and the property can’t be purchased.”

He was referring to a situation where a tax lien expired, worthless, because no one filed a foreclosure action. His statement is untrue. The tax lien no longer exists at all in that situation, so it doesn’t need to be redeemed, and the taxes due under the lien are considered paid. The title is clear, and the property can easily be sold.

> “if the investor did not file a new deed after foreclosing on the original owner, the debt reverts back to that owner,”

Again untrue. While this can lead to a title that is not clear, and difficulty selling the property, there is a process to reverse this and correct the situation. In no case does the former debt become owed by the previous owner.

In the Baltimore Banner article mentioned above, Jonathan Sacks, executive director of the HUB West Baltimore Community Development corporation was quoted as saying.

> “These properties are often held hostage” by lienholders.

There is no way for the lienholder to hold the property hostage. The current owner has full use and rights to the property, including the right to sell. The lienholder doesn’t even have the right to go onto the property.

On her website [tax sale working group meeting Ramos presentation] Odette Ramos said:

> The current redemption period is 2 years for all properties - meaning the new owner of the lien has to wait two years to foreclose.

She was referring to how the process to foreclose on vacant properties should be sped up. She is factually wrong. The owner must *start* foreclosure before two years is up or the lien expires worthless. The truth is that there is already a process to speed up foreclosures for vacant properties.

These are just a few of the examples of how the housing advocates don't really understand, or accurately portray how the process actually works.

Conclusion

When you look at the totality of the situation, the entire narrative supporting this bill is not supported by logic or facts. The negatives of the current tax sale system have been grossly overstated and misrepresented. Many of the problems brought up are not even resolved by this bill. Yet the very positive benefits of tax sale to the city have been completely ignored.

I live in Baltimore City, I vote, and I strongly oppose this bill.

I do support amendments that limit this bill to owner occupants or low income property owners.