



Neighborhood Housing Services of Baltimore, Inc.

February 24, 2023

Delegate Vanessa E. Atterbeary, Chair
Ways and Means Committee
House Office Building Room 131
Annapolis, Maryland 21401

RE: House Bill 867

Honorable Chair Atterbeary 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. HB867 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.

HB867 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. HB867 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.



25 E. 20th Street, Suite 170 Baltimore, Maryland 21218

Office: 410-327-1200

Fax: 410-675-1855

www.nhsbaltimore.org

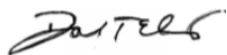
Another provision of HB867 is authorizing the Mayor of Baltimore to cancel the tax sale. This is important because the goal of the new system is to no longer use the existing system. Currently, Baltimore City is required to conduct an annual tax sale. There is significant cost to conducting the sale. 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.

HB867 is critical legislation that will lead to greater equity for residents and neighborhoods of Baltimore City. We request a *favorable* report on HB867.

Sincerely,



Daniel T. Ellis
Executive Director