



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Alice Kennedy, Acting Housing Commissioner

Date: September 16, 2021

Re: City Council Bill 21-0114 Building, Fire, and Related Codes - Vacant Building Receivers - Failure to Sell

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 21-0114 for the purpose of permitting a vacant building receiver to offer the property for sale to the Mayor and City Council of Baltimore City, if the property fails to sell at public auction; and providing certain limitations on the sale price.

If enacted, City Council Bill 21-0114 would amend Section 2-103 of Baltimore City's Building, Fire and related Codes to allow a vacant building receiver to offer the property for sale to the City if it fails to sell at public auction and establishes limitations on the sale price so as not to exceed the receiver's expenses in preparing the property for auction, holding the auction and transferring the title.

Receivership is a nuisance abatement tool. The ultimate goal in filing a receivership is to have the vacant building notice abated by the owner, lender or the successful bidder at receivership auction. Receivership is a civil action in which the City petitions the District Court to appoint a third party (Receiver) to take control of a vacant property and auction the property to a qualified buyer. In filing the receivership action, the City must name all owners and lien holders in the petition to appoint the receiver and provide written notice to other creditors. The receivership petition is heard in Baltimore City District Court and the interested parties are given an opportunity to challenge the appointment. In general, it takes five months to get from the filing of the petition to the appointment of the receiver.

Approximately 50% of all receivership cases filed are expected to go to a receivership auction. In cases where the receiver is not appointed the owner is placed under order to either rehab or sell the property. The properties that do not go to receivership auction will be rehabilitated or sold by the owner or lien holder. If the filing of a petition results in the receiver being appointed the receiver will prepare the property for auction. Properties are expected to go to auction within two-three months of the receiver being appointed. All receivership properties are advertised in local papers of general circulation and on the websites of both the receiver and the auctioneer. Currently the only residential property receiver in Baltimore City is One House At A Time, Inc (OHAAT)¹ and they are using A.J. Billig & Co.² as their auctioneer. For commercial properties DHCD works with the Casey Group as the receiver.

Brandon M. Scott, Mayor • Alice Kennedy, Acting Housing Commissioner

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All bidders at a receivership auction must be pre-qualified by the receiver prior to the auction in order to bid on properties. Pre-qualification information and applications are available on the receiver's website and must be received by the receiver five business days before the scheduled auction. Properties are sold at auction to the highest pre-qualified bidder. After the auction the sale must be ratified by the court and then the receiver and the successful bidder are able to settle on the property. Settlement is expected to occur within 60-90 days of the auction.

Currently if a property does not sell at auction, it will be offered for sale on the receiver's website at \$5,000 or best offer. If the property does not sell through the website offering the receiver will be struck, the property remains in the name of the original owner and if the City wishes to gain title, they must file a tax sale foreclosure action or initiate eminent domain action.

The purpose of this legislation is to allow the City the option to purchase the property directly from the receiver at cost if a property under a receivership court order is offered for auction and fails to sell. The cost to the receiver is approximately \$3,000 and includes advertising and auctioneer fees.

This legislation would allow receivership to be used on properties that don't clearly have an identified market or developer with less risk to the receiver since the City may serve as the buyer of last resort. The City would not be required to buy properties that fail to sell at auction but this legislation would provide that option. When the receivership process "works" the City does not have to take title, when it does not work this is a more expedient and economical option than starting over with tax sale foreclosure, in rem, or condemnation.

Receivership is a nuisance abatement device and this legislation represents a new "tool" that may increase the City's capacity to eliminate blight. The City would be able to market and sell the property with the liens and other debt wiped out or the City could raze or stabilize the property without the need to go through additional due process.

DHCD **supports** the passage of City Council Bill 21-0114.

AK/sm

cc: Ms. Nina Themelis, *Mayor's Office of Government Relations*