



MEMORANDUM

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

From: Christine Griffin, Deputy Director of Policy and Government Relations

Date: September 23, 2024

Re: 24-0228R Informational Hearing – Vendor Lien

The Office of the Comptroller is responding to the request for a report on City Council bill 24-0228R Informational Hearing – Vendor Lien Program, which is for the purpose of inviting representatives from the Office of the Comptroller, representatives from the Department of Real Estate, and the City Solicitor to report on the Baltimore City Vendor Lien Program and provide additional information as requested by the Committee.

Last summer, the Department of Real Estate (DORE) paused the Vendor Lien Program (VLP) to determine if municipal lien abatement achieved the desired outcome – getting tax sale properties rehabbed, sold and occupied. Since then, DORE has evaluated the program for efficacy, equity, and process efficiency. Based on that process, they have drafted a new Vendor Lien sales agreement and developed measures to track the program's effectiveness better. Before that agreement is finalized and rolled out, the DORE wanted to solicit input from council members and share some of their findings. CCB 24-0228R Informational Hearing - Vendor Lien Program will allow us to do that.

Tax Sale Timeline

- May -- the Annual Tax Sale, run by the Department of Finance is held
- October – Finance/Department of Housing and Community Development’s Bulk Tax Sale takes place
- November – All remaining tax sale certificates that were not included in the bulk sale are delivered to DORE

Traditional Tax Sale

Tax certificates are sold for the total amount of all liens against the property. This allows the City to recoup its costs associated with the property and dispose of the certificate, which paves the way for the purchaser to foreclose on the property.

The Vendor Lien Program

The VLP allows the DORE to sell tax certificates at a reduced cost when the accumulated liens on the property are greater than the property’s assessed value.

If a purchaser wants to buy a property through the VLP, all liens on the property are abated except for the flat tax and the water lien. **The tax sale certificate purchase price is either the assessed value of the**

property or the combined amount of the flat tax and outstanding water lien—whichever amount is greater.

Disposing of the tax sale certificate, free and clear of all the accumulated liens, in theory allows the purchaser to foreclose on the property and bring it back to productive use.

Why was Vendor Lien paused?

- DORE's research into the VLP revealed that the program is ineffective at bringing properties back to productive use.
- DORE found that many of the lien certificates purchased through the VLP were being traded multiple times, with investors making money on each subsequent sale and assignment. Meanwhile, the properties were left undeveloped and off the City's tax roll and often eventually ended up back in tax sale.

DORE felt it was imperative to develop an effective way to track the VLP's effectiveness.

Actions to improve the program

- Working with the Law Department, DORE has created a New Vendor Lien Sales Agreement
 - In exchange for abating outstanding City liens, the purchaser of tax sale certificates agrees to a timeline provided in the Sales Agreement.

Complete the foreclosure within 2 years.

File as the registered owner within 30 days of foreclosure

File for permits within one year of foreclosure

Acquire U&O within 2 years of foreclosure judgment.

- If the developer fails to complete the work within the prescribed time limit or fails to receive an extension, the City will take back possession of the property.
- The purchaser may apply to extend the U&O time limit with proof of ongoing work.
- To ensure transparency and gather empirical data on the effectiveness of the VLP, DORE will implement tracking measures to hold purchasers accountable once liens have been forgiven:
 - DORE will follow up with developers who purchase certificates through the Vendor Lien program.

Communicate with developers to understand their internal process for developing a property.

Identify areas where the City can assist with bringing properties to U&O.

- DORE will track properties at each of the milestones according to the timeline in the Sales Agreement using the software Slate.