

Andrew Kleine

FROM	NAME & TITLE	Andrew W. Kleine, Budget Chief
	AGENCY NAME & ADDRESS	Department of Finance Room 432 City Hall (396-4941)
	SUBJECT	City Council Bill No. 08-00042 – Residential Property – Required Disclosures on Sales or Lease

CITY of
BALTIMORE
MEMO



TO

DATE: February 24, 2009

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

City Council Bill 08-0042 proposes certain amendments to the current single-family dwelling disclosure limiting law. The bill proposes to increase the current \$50 fine to \$500 for any person who advertises the sale or lease of a single-family dwelling property without the statement that its use and occupancy is restricted to one family. In addition, the legislation requires that all sellers of residential properties must disclose in writing to the prospective buyer the following:

- Zoning status of the property (defined in the bill)
- Information if the property lies in an Overlay District or Planned Unit Development
- Information if the property lies in a Renewal Area
- Information if the property is located within the CHAP district
- If the property is subject to any covenant.

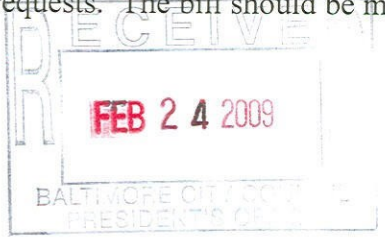
Any person failing in providing the above disclosure information is subject to a fine of up to \$1,000 and/or imprisonment for each offense.

Fiscal Impact

- Current data on disclosure violations do not permit a reliable projection of this bill's revenue impact.
- The primary fiscal impact of the bill is likely to be the burden on City agencies in responding to seller inquiries about the information they are required to disclose.
- There are about 15,300 real estate transactions per year in the City, meaning that various City agencies could receive as many as 60 new information requests per workday, some of them – such as covenant searches – potentially involving extensive research. This volume of requests would be difficult to manage with existing staffing levels.
- Some of the information required by the bill could be made available online, but additional research is needed to determine the cost of developing such an application and its potential for reducing calls to City staff.

Recommendation

The Finance Department appreciates the goals of this bill, but recommends that the Council carefully weigh the benefits of broadly expanding seller disclosure requirements to the City's costs of handling a potential flood of new information requests. The bill should be more



narrowly targeted at sellers who knowingly withhold information, resulting in harm to the buyer.

The Finance Department supports HCD's amendment to remove the covenant disclosure requirement and Law's amendment to make the requirements "to the best of the sellers knowledge." Also, the bill should require a cost/ benefit analysis to be performed one year after its enactment. The City needs to assess if the service requires the creation of a fee to support and guarantee the appropriate level of service to the corresponding users.

cc: Edward Gallagher
Angela Gibson
Pedro Aponte