
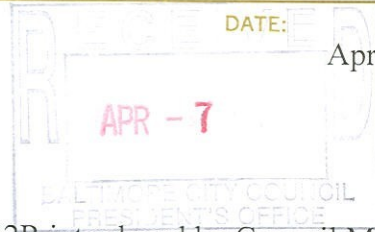


FROM	NAME & TITLE	Henry J. Raymond, Deputy Finance Director <i>HJR</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 469, City Hall (396-4676)		
	SUBJECT	CITY COUNCIL RESOLUTION 11-0242R		

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



I am reporting on City Council Resolution 11-0242R introduced by Council Member Conaway, the Council President, and Council Members Cole, Middleton, Kraft, Stokes, Clarke, Branch, Reisinger, Welch, Spector, and Henry.

The purpose of the Resolution is to request the Director of Finance and the Chief, Bureau of Revenue Collections, to report to the City Council on the Tax Lien Certificate Sale Program; present an outline of the foreclosure process; explain the fees collected or paid by all parties involved in the redemption or forfeiture of a property; and to give a final accounting of the disposition of all proceeds from the sale of the forfeited property.

The tax sale process is a collection tool of last resort. However, it is a very compelling tool to encourage citizens to pay delinquent debts owed to the City. Examples of the delinquent debts include, but are not limited to real property, water, environmental citations, and minor privilege bills. The tax sale process efficiently reduces the amount of outstanding receivables and increases the receipt of revenue for the City. Beginning in February of each year, the Finance Department begins to notify citizens of their delinquent accounts and with the cooperation of all City agencies, does everything possible to assist citizens in resolving their delinquent accounts. All City agencies strive to assist citizens in avoiding the tax sale. However, it is not possible to assist all citizens due to their personal circumstances. Citizens with unpaid bills that meet the criteria for tax sale are subject to the annual tax sale held in May of each year.

A citizen may avoid the tax sale by bringing their account below the lien threshold by making appropriate payments to their account at any time prior to May tax sale. If the citizen does go into the tax sale, a property owner may redeem their property up to the point of foreclosure by paying the lien amounts and, depending on the time at which the payment is made, pay simple annual interest and certain costs and legal fees.

It is important to note that the City was able to obtain approval through the 2008 General Assembly on a number of Baltimore City Tax Sale reform efforts.

The package of reform measures were the product of nine months of focused study by a City Working Group on Water Liens and Tax Sale. The Working Group was convened in March 2007 with a mission to evaluate the City's policies and practices related to the use of tax sale as the primary collection method for delinquent City water and sewer bills and to recommend changes to help protect City property owners while also maintaining the City's ability to

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collect what is owed, protect the solvency of the utilities, and maintain appropriate rates for all citizens.

In 2008, the City worked with the General Assembly and others to implement a package of reform measures aimed at:

1) expanding **safety net provisions** for users of the City of Baltimore water and sewer utilities;

- Providing a new **discounted rate for low-income senior citizen customers**;
- Increasing the amount of the City's **Crisis Intervention Grant** from \$100 to \$125 and extending the Grant program to tenants who are facing water turn-off;
- **Expanding the use of payment agreements** and implementing a new policy whereby an active payment agreement will keep a water/sewer lien from going to tax sale for up to one year;
- Stopping penalty from accruing on delinquent balances while they are under an active payment agreement;

2) preventing properties from going into tax sale for an unpaid water/sewer bill; and

- **Increasing the threshold for inclusion of a property in the tax sale from a minimum lien of \$100 to a minimum lien of \$250.**
- **Reducing the turn-off threshold for water and sewer accounts from \$500 to \$250** in order to intervene sooner before delinquencies become unmanageable and expanding the turn-off program to tenant-occupied properties;
- Sending all water and sewer delinquent notices and turn-off notices to both the owner and the tenant for rental properties;
- Stopping penalty from accruing on delinquent balances while they are under an active payment agreement; and

3) better protecting property owners who do end up in tax sale.

- Capping the amount of fees and expenses that a tax sale purchaser can charge the property owner upon redemption.

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The Finance Department will attend the hearing on this Resolution to address any questions the members of the Taxation, Finance and Economic Development Committee may have on the Baltimore City Tax Lien Certificate Sales.

cc: Edward J. Gallagher
Andrew Kleine
Angela Gibson