

## MEMORANDUM

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

From: Alice Kennedy, Acting Housing Commissioner *ak*

Date: July 8, 2021

### **Re: City Council Resolution 21-0024R – Informational Hearing – Baltimore City Tax Sale**

The Department of Housing and Community Development (DHCD) has reviewed City Council Resolution 21-0024R for the purpose of inviting the Baltimore City Department of Finance, the Baltimore City Department of Housing and Community Development, the Comptroller, Baltimore City Information Technology, the Law Department, the Maryland Volunteer Lawyers Service and other relevant parties to provide information and complete details and timeline, and amounts of liens owed, disaggregated where appropriate by demographics, ages, owner-occupied versus non-owner-occupied, and number of residents who have owned their property for more than 25 years in tax sale this year; in addition, discussing the City's powers related to the state, programs already in place to assist homeowners in tax sale, possible reforms, an update on implementation of the *In Rem* process for vacant and abandoned properties, and any other relevant information of interest to the Baltimore City Council.

DHCD supports the intent of this Resolution to examine and improve the process for residents subject to Tax sale. The Resolution calls on various agencies and organizations to provide the Council with data on the 2021 tax sale. Specific to DHCD, the Resolution calls on the agency to discuss the programs in place to assist homeowners in Tax Sale, possible reforms for the tax sale process and to provide and update on the implementation of the *In Rem* process for vacant and abandoned properties.

### **Tax Sale**

Tax Sale is the process in which Baltimore City sells property liens to generate revenue. Baltimore City pre-tax notices prompt 20,000-25,000 property owners annually to pay overdue Bills. A lien is a debt attached to a property. Properties are issued liens when they are delinquent on property tax payments or have received environmental citations for violations of Baltimore City codes related to sanitation, health, safety, and other quality-of-life issues. \$750 in liens qualifies owner occupied properties for Tax Sale.

DHCD's Office of Homeownership & Neighborhood Preservation, Tax Sale Coordination and Prevention Services Program, assists homeowners in avoiding tax sale and in understanding the tax sale process by; promoting tax sale clinics and conducting community-based information sessions. DHCD's Tax sale ombudsman connects homeowners with additional resources such as applications for State Homeowners and Homestead Tax credits. The ombudsman works

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with community partners like the Pro-Bono resource center, the United Way of Central Maryland and various counseling agencies that can assist home owners in applying for utility bill assistance or other public assistance.

Keeping low-income homeowners in their homes is a key strategy to preserving affordable housing in our city. The best way to help low-income homeowners with tax sales in Baltimore City is to help them avoid it. Once homeowners enter tax sale there are few resources to help them redeem their properties. DHCD supports creating payment plans, exploring funding sources to provide financial assistance to our most vulnerable homeowners who experience difficulty paying tax bills, and promotion of tax credit programs, like the Low-Income Senior Tax Credit, which is a supplement to the State's Homeowner Tax Credit program. Homeowners without their names on the deeds to their properties are ineligible for property tax credits, home improvement programs, and other sources of assistance that can lower household expenses and help make it easier to pay bills. The *My Home, My Deed, My Legacy* initiative is invaluable in providing legal assistance to make these changes

### ***Recommendation***

DHCD recommends the creation of additional 'ombudsman' roles within DHCD and sister agencies like the Bureau of Revenue Collections within the Department of Finance and the Environmental Control Board, to assist residents facing tax sale pay outstanding liens prior to Tax Sale Day. Additional cross-agency ombudsman positions could help answer questions that may arise throughout the tax sale process and connect homeowners with resources to help them take steps to stay out of tax sale.

### **In Rem Foreclosure**

In April 2020, DHCD introduced a Bill allowing for *in rem* foreclosure of vacant, high tax-lien properties. This ordinance was passed by the City Council and enacted in September 2020. It allows the city to pursue tax lien foreclosure and forego the tax sale and tax certificate system for vacant buildings and lots at DHCD's request. This process still requires the same due process and notification to owners as the Tax Certificate process, but the City can initiate the process at any time for qualifying properties.

The functional application of this legislation is DHCD will be able to acquire properties for redevelopment and assemble parcels much more efficiently than the current system. A major delay in acquisition by tax sale is it operates on a multi-year timeline and tax certificates expire after 2 years, which requires the City to wait until the next tax sale for a new certificate to be issued if a foreclosure action is not filed while the certificate is valid. Since there are thousands of vacant buildings and lots that cycle through successive tax sales, most certificates will expire before the city can file a foreclosure action. The in-rem tool will allow the city to file on vacant properties at the time of its choosing, without waiting for expired certificates to be reissued in successive years. This process will still likely be subject to court delays, but it may turn out to have a faster foreclosure timeline than tax sale foreclosure once a case is filed. This



legislation is in the process of being implemented. DHCD will file three initial pilot cases this summer and has identified 30 additional properties to foreclose on using this new in rem tool.

### ***Recommendation***

DHCD would have the capacity to increase *in rem* foreclosure filings with additional attorneys and paralegals. These positions should be funded in upcoming budget cycles. There are also delays in filing due to the necessity for obtaining title work. As title processors have more financial incentive to do private sector work over City work, there can be delays in obtaining a title. If the City had its own title processor, DHCD may be able to expedite the process.

### **20-0593 Tax Sales - Properties Exempt from Sale**

DHCD has been working closely with the Department of Finance to implement City Council Bill 20-0593 aimed at protecting legacy and low-income homeowners from Tax sale. The recently enacted legislation allows the Director of Finance to withhold from tax sale certain properties that meet specific qualifications. DHCD is working closely with the Department of Finance to assist with development of the program and once launched, will assist with outreach and application processing.

The parameters of the program require that the assessed value of their home is \$250,000 or less, or that the homeowner has lived in their home as a primary residence for at least 15 years; and the homeowner has a total annual household earned income of less than \$36,000; or the homeowner is at least 65 years old and has an annual earned income of \$75,000 or less; or the homeowner is an adult currently receiving disability benefits from the Federal Social Security Disability Insurance Program or the Supplemental Security Income Program and has an annual earned income of \$75,000 or less.

In each tax year, the total amount of tax and lien exemptions for properties through this program may not exceed \$2 million. Once the cap of \$2 million in exempted liens is reached, applications will be closed. Eligible homeowners will be required to apply annually for this exemption.

### ***Recommendation***

DHCD recommends that the Mayor and City Council continue to include a line item in the annual ordinance of estimates to support the personnel required to carry out this program. An annual appropriation of \$500,000 is required to support the processing, review, and certification of applications, outreach and promotion of the program, as well as program oversight and reporting.

DHCD assists homeowners facing Tax Sale by providing a variety of supports through our Tax Sale Coordination and Prevention Services program. We will continue to work with the administration and sister agencies to assist homeowners in Tax Sale. The best way to help residents facing tax sale is to assist vulnerable populations pay their tax bill and by



funding programs to keep legacy homeowners in their homes, assist with deferred maintenance and repair and ensure the transfer of generational wealth.

DHCD **supports** the passage of City Council Resolution 21-0024R.

AK:mn,sm

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

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