

**CITY OF BALTIMORE
COUNCIL BILL 08-0060R
(Resolution)**

Introduced by: President Rawlings-Blake, Councilmembers Young, Middleton, Henry,
D'Adamo, Curran, Branch, Reisinger, Conaway, Welch, Spector
Introduced and read first time: August 11, 2008
Assigned to: Taxation, Finance and Economic Development Committee

Committee Report: Favorable
Adopted: November 17, 2008

A COUNCIL RESOLUTION CONCERNING

Informational Hearing - XSPAND - Tax Lien Servicer

FOR the purpose of inviting XSPAND to make a presentation to the City Council on the services the company offers providing local governments with the resources needed to turn delinquent property tax liens into government revenue.

Recitals

XSPAND purports to be the preeminent property tax lien servicer, financier, and purchaser in the United States. A subsidiary of JP Morgan Chase & Co., Inc., with over \$80 billion in total capital, that serves governments, corporations, institutions and individuals worldwide, XSPAND works with local governments to convert their property tax liens to revenue and to implement permanent solutions that place delinquent properties back on the active tax rolls.

Since 1997, XSPAND has assisted local governments in 23 states to realize over \$2.6 billion in revenue from the conversion of delinquent property tax receivables into cash, performing services for some of the largest and most sophisticated government entities in the U.S., including the City of New York; the Los Angeles County School Districts; Erie County, NY; Cuyahoga County, OH; Montgomery County, PA; Nassau County, NY; Camden, NJ; Nashville/Davidson County, TN; Kansas City/Wyandotte County, KS; and Allegheny County, PA.

In an initial review of the City's current practice of auction of tax liens, XSPAND personnel found that while this practice is quick and has minimal administrative costs, it has several disadvantages:

- No sharing in the interest earnings on liens - all future interest goes to the purchaser
- Low bid rates may actually encourage taxpayers to not pay their taxes
- Large and controversial legal fees charged to delinquent taxpayers
- City deals with multiple purchasers, placing extra administrative burdens on the tax office
- City has no oversight over the collection methods of these purchasers
- Many liens go unsold, which perpetuates the problem of distressed properties.

Last year there was a small percentage but significant amount of uncollected revenue from the auction of tax liens. In these trying economic times, it is imperative that the City recoup all

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter stricken by amendment.

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1 fiscal assets that are due. At the same time, government must protect delinquent taxpayers who
2 have fallen onto hard times from those collectors who seek to further exploit their misfortune.
3 Because XSPAND purports to be able to do both, it warrants a comprehensive review. The
4 Finance Department has already begun its due diligence in researching this method. After a
5 favorable hearing on the subject, we ask the Finance Department to expeditiously implement this
6 innovative solution.

7 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That this
8 Body hereby invites XSPAND to make a presentation to the City Council on the services the
9 company offers providing local governments with the resources needed to turn delinquent
10 property tax liens into government revenue.

11 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Mayor, the
12 Director of Finance, the Chief, Bureau of Revenue Collections, and the Mayor's Legislative
13 Liaison to the City Council.