

Stop Oppressive Seizures Fund Testimony for Baltimore City Council Bill 21-0024R

“You already know enough. So do I. It is not knowledge we lack. What is missing is the courage to understand what we know and to draw conclusions.”

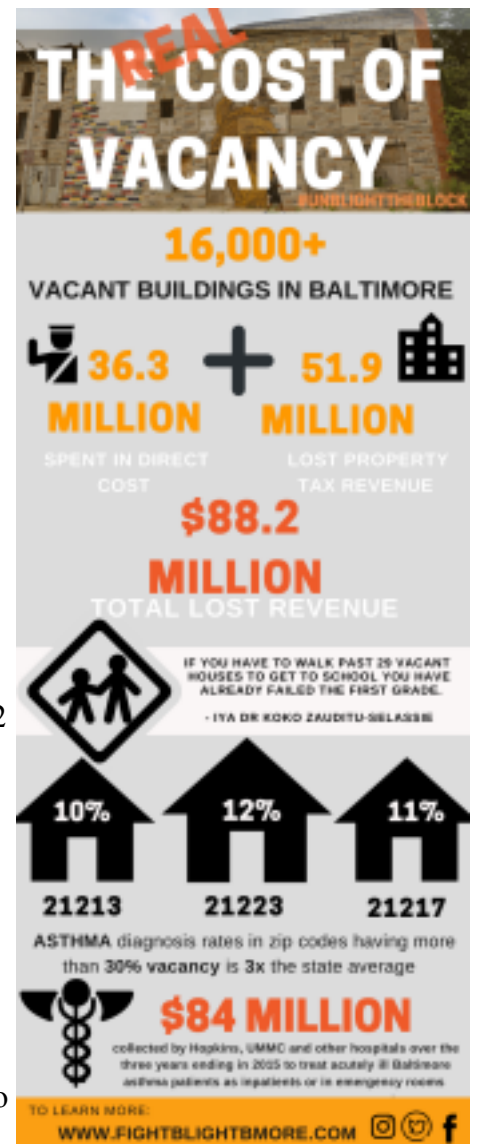
This quote by Sven Lindqvist in "Exterminate All the Brutes" sums up the necessity for City Council Bill 21-0024R - an Informational Hearing on Baltimore City Tax Sale.

What is known?

On an annual basis, several thousand homeowners (a little over 3800 in 2021) in Baltimore are at risk of going to tax sale and being saddled with interest, attorney expenses, arbitrary fees, and foreclosure. The overwhelming majority of these homeowners are concentrated in Baltimore's Black Butterfly, and are low income and elderly.

Many of us are familiar with Baltimore's high property tax rate, but what many do not know is that the property assessments that determine the tax basis are inequitable. The Center for Municipal Finance's analysis of Baltimore property tax assessments from 2009-2018 shows that the least expensive houses are assessed at 164% of their sales value while the most expensive houses are assessed at 68% of their sales value. Simply the properties in Baltimore with the lowest sales price have assessed values of nearly 2 and half times their market value.

These assessed values are the basis for the property tax bills. It will surprise no one that the properties with the lowest sales values are concentrated in the Black Butterfly, the collection of neighborhoods with predominantly Black populations. This evidence suggests that homeowners in the Black Butterfly are being over assessed. The result of the inflated tax rate and assessments are unaffordable property tax bills for homeowners who have already been victim to so much of the government's discriminatory and violent economic policies, of which the tax sale is one of the most onerous.



The 12%-18% interest charged on properties that go to the tax sale goes in the pocket of “investors”. You tell me where else investors can get a guaranteed return like that. Exactly -- nowhere except out of the pockets of mostly Black, elderly and low income homeowners, whose homes are targeted by investors because they are more likely to pay than the speculators who have abandoned properties and their responsibility.

Then there are the attorney’s fees which can rise to \$2400 or more if an estate must be opened and in many cases have to be paid before the taxes owed to the city. When you combine that fact with the reality that the investor and the attorney can be the same person and that many homeowners wrongly think that the attorney represents them -- you have a government sanctioned predatory practice in full swing...leaving families to suddenly find thousands of dollars or face the painful reality of losing their home. Within a year of the tax sale a \$1000 tax bill will have ballooned to \$3300 if it remains unpaid.

Not even COVID-19, a global pandemic that requires social distancing and has caused dire financial stress for many people, has stopped this practice. In fact, last year, more than 200 tax sale foreclosure filings occurred in Baltimore. We can't afford to have 200 more families made homeless in our city while investors line their pockets and expand our communities' misery.

What is understood?

The tax sale penalizes poverty. Many of those paying this penalty are suffering from poor economic conditions created and maintained by racist government policies. It rewards investors for being willing to exploit the poor so the city can get some quick cash. And, sets up a cycle of vacancy that further damages communities primarily those with predominantly Black populations.

The city’s internal systems under the Bureau of Revenue Collections for property tax record keeping, collection and execution of the tax sale are fraught with errors. We have found the following issues to be common particularly with this years sale:

- property addresses with wrong zip codes
- unapplied or misapplied property tax payments
- misclassification of properties
- unapplied tax credits
- incorrect property tax calculations

Here are a few examples of issues we encountered during this years sale:

One client of the SOS Fund was found to have a billing error of over \$180,000. This error was only found because we refused to accept that a home with an assessed value of roughly sixty thousand dollars could have a \$242,000 tax bill. The discrepancy was the result of a “clerical

error". But after viewing the account myself I am not sure whether it was a clerical error or the fact that the city appears to be running COBOL 85 from 1977 on its computer systems. It is worthwhile to note that once the error was corrected half of the actual amount owed is interest and penalties totalling nearly 50K. This client is an elderly, Black woman on fixed income living in the Black Butterfly.

Another client of the fund, was victimized by a certificate purchaser in an after tax sale foreclosure buy back. The certificate purchaser foreclosed on the property then sold it back to the owner for an additional ten thousand dollars on contract. But the certificate purchaser never took title to the property at any point and failed to notify the city immediately when the contract was satisfied. This left our client owing water bills and property taxes for the property when they technically didn't own it. This client is also a Black woman, her home is an heirs property located in the Black Butterfly.

Just last week an SOS Fund collaborator, Angela Francis, owner of the historic Harlem Theater was notified that a certificate was sold on that property. She had appealed the last assessment on the property when its assessed value had mysteriously jumped to 1.2 million. She won her appeal but the city failed to update the property tax record. In May staff in BRC stated that the property would be removed from the 2021 sale because they had failed to correct the amount of property taxes owed as a result of the appeal but it was not removed. Angela Francis is also a Black woman, doing development without displacement and the Harlem Theater is in the Black Butterfly.

Where is the courage to draw conclusions?

There are patterns that can be seen with the naked eye. The property tax accounting, billing and collections systems in the city are fraught with error and inefficiencies. And, the existence of these systems as they are have a disproportionately negative impact on Black people, Black communities and Black property ownership. This is not by accident. It is deeply embedded institutional racism. Only dismantling the current system and creating a new system with accurate accounting, understandable billing and equitable collection practices is the answer.

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