


Rachel Ji on behalf of

FROM	NAME & TITLE	Robert Cename, Budget Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 20-0529 – Property Tax – In Rem Foreclosure and Sale – Vacant and Abandoned Property		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

July 14, 2020

Position: Does Not Oppose

The Department of Finance is herein reporting on City Council Bill 20-0529, Property Tax – In Rem Foreclosure and Sale – Vacant and Abandoned Property, the purpose of which is to establish a process for in rem foreclosure and enable the Department of Housing and Community Development (DHCD) to initiate an in rem foreclosure on specific vacant properties that have delinquent taxes.

Fiscal Impact Summary

This legislation is expected to have minimal fiscal impact for the City.

Background

The City holds an annual tax lien certificate sale to collect delinquent real property taxes and other unpaid charges owed to the City, which are liens against the property. Through the tax sale process, which is a public online auction, the highest bidder pays the total amount of the property liens to the City and receives a tax sale certificate that gives the bidder the right to obtain ownership of the property by filing a tax sale foreclosure lawsuit. The owner of the property can prevent the highest bidder from obtaining ownership by "redeeming" the property. Redemption requires the owner or an interested party, such as a mortgage holder, to reimburse the successful bidder for the amount of liens and other charges paid to the City, as well as the bidder's interest and other fees and costs set by law. If the owner of a property does not pay, the holder of the tax lien certificate may foreclose and obtain the title to the property.

For many of the properties in the tax sale process there are no buyers during the annual auction and the City becomes the holder of the tax sale certificate. The City may choose to foreclose on those properties during the two-year period that the certificate is active. Since properties are on a three-year cycle in the tax sale process, if the City does not file a foreclosure action before the certificate expires then the City must wait an additional year for the property to be listed again and receive a new certificate.

DHCD uses tax sale as a tool in blight elimination and redevelopment strategies and files foreclosure actions on 150 to 180 cases, annually. Due to the high volume of certificates and the time and resources required to complete the foreclosure process for each property, it is not uncommon for certificates to expire before DHCD can take action. The discrepancy of the certificate period and the tax sale cycle creates a backlog of properties that the City must wait to foreclose on until the next tax sale cycle begins, possibly impeding DHCD and community redevelopment projects.

In rem foreclosure is a process that would allow the City increased flexibility in filing foreclosures, maintain due process for owners, and enable DHCD to more efficiently acquire properties for redevelopment. Senate Bill 509 (SB0509), which was passed by the Maryland General Assembly and signed into law by the Governor in 2019, enables Maryland jurisdictions to create an in rem foreclosure process.

Fiscal Impact Analysis

The Department of Finance does not anticipate additional costs due to the implementation of the in rem process since the number of foreclosures is expected to remain the same. In addition, no additional revenue is expected as the delinquent taxes on the properties in question are unlikely to be collected. In rem foreclosure will allow DHCD to more efficiently process foreclosures and acquire properties as part of blight elimination and redevelopment plans.

Other Considerations

While some properties in the City may be assessed much lower than their actual value, possibly resulting in the value of liens being greater than the assessed value of the property, the in rem foreclosure process should not impact such properties. Properties eligible for the in rem process must also be vacant lots or have vacant building notices. In addition, the in rem process maintains the due process requirements of the current tax foreclosure system, providing all parties with multiple notices of the process and the opportunity to redeem or contest the foreclosure.

Conclusion

The Department of Finance does not anticipate any additional costs or revenues from this legislation. The legislation will allow a more efficient property acquisition process which will work to further the City's missions to eliminate blight and support community development.

For the reasons stated above, the Department of Finance does not oppose City Council Bill 20-0529.

cc: Henry Raymond
Matthew Stegman
Nina Themelis