



July 14, 2020

Sharon Green Middleton, Chair
Danielle McCray, Vice Chair
Eric Costello, Member
Edward Reisinger, Member
Robert Stokes, Member
Samuel Johnson, Staff
Budget, Taxation and Economic Development Committee
Baltimore City Council

RE: Letter of Support for Ordinance 20-0529 (introduced on 5/11/20)

Sent via email

Dear Chair Middleton, Vice Chair McCray, and Members of the Committee:

Thank you for the opportunity to submit a letter of support for Ordinance 20-0529 *Property Tax – In Rem Foreclosure and Sale – Vacant and Abandoned Property* to the Baltimore City Council’s Budget, Taxation and Economic Development Committee. This proposed ordinance will give the City the ability to swiftly intervene and control the fate of some of the most distressed properties across Baltimore by **selling the property**, not the debt, to a new, responsible owner using judicial *in rem* tax foreclosure. Ordinance 20-0529 mimics some of the best and most equitable models in the national field of practice, and represents an important reform to the local delinquent property tax enforcement system—a system, which in its current form, is contributing to vacancy and abandonment and racial inequity throughout Baltimore.

The mission of Community Progress is to foster strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods. Through our work in hundreds of communities across the country, as well as our participation in the Maryland Tax Sale Task Force in 2017 and, at the invitation of City leaders, our 2016 study of the impacts of the current practice of selling tax certificates in Baltimore, it is clear that **one of the leading causes of vacant and abandoned properties is a broken delinquent tax enforcement system**. Tax delinquency is a clear warning sign that a property is at risk of entering a devastating cycle of abandonment and decline unless swift intervention is taken. As Community Progress raised with the Maryland state legislature in 2019, **most communities have found that the most effective intervention is transferring vacant, abandoned, and tax delinquent properties into responsible ownership as swiftly as possible**.

The proposed ordinance implementing a system of judicial *in rem* tax lien foreclosure for vacant and abandoned properties, authorized by the Maryland Legislature in 2019, will allow the City to:

- 1) **Withhold vacant and abandoned properties from the current speculative tax certificate sale process.** The City can prevent those vacant and abandoned properties that negatively impact neighbors and neighborhoods from being continually recycled through the process of tax certificate sales, and instead put those properties on an accelerated path to productive use by selling the actual property and not the debt to a responsible owner.
- 2) **Create a more efficient process focused on selling the property, not the debt.** Enforcing unpaid taxes by selling the debt, as opposed to the property itself, requires a multi-stage enforcement process that is inefficient, lacks clarity, and drains precious government resources. The proposed ordinance allows the City to efficiently implement a single enforcement event, the judicial foreclosure of the tax lien, within 6 months of the property becoming delinquent and at the end of which title to the property is transferred to a new and more responsible owner.
- 3) **Acquire clear title.** Notice provided in the proposed ordinance is likely more than sufficient to meet the minimum standards required by the U.S. Constitution for due process. This means at the end of the foreclosure; marketable title is acquired by the City and can be easily transferred to a new owner.
- 4) **Facilitate transfer to responsible owners.** Given the harm vacant and abandoned properties impose on a neighborhood, it is critical that there is some form of local control over the process of using governmental authority to transfer the property to a new owner. The proposed ordinance will provide that control and allow the City or a potential land bank to help identify and transfer these properties to new owners who have a plan to utilize the property in a way that supports equitable, inclusive community development consistent with locally-determined community goals.

Community Progress expresses its strong support for Ordinance 20-0529 Property Tax – In Rem Foreclosure and Sale – Vacant and Abandoned Property.

As this Committee and the City's Department of Housing and Community Development move forward with this proposed ordinance, we also offer the following additional points for consideration based on Community Progress' national expertise related to delinquent property tax enforcement.

- 1) **Ensure the proposed ordinance applies to all eligible properties.** Maryland law limits the use of the judicial *in rem* tax lien foreclosure tool to vacant and abandoned properties where the assessed value is less than the value of the unpaid tax liens against the property. Given this universe of properties is somewhat limited in terms of the types of properties that may be immediately viable for development or other reuse purposes, it is important that the process in Baltimore does not impose further limitations (e.g., presence of private liens) on what properties may be eligible for this process.
- 2) **Ensure the timeline is efficient and effective.** When other communities set out to reform the tax enforcement process as part of a comprehensive approach to more effectively, efficiently, and equitably address vacant and abandoned properties, we strongly recommend local policymakers

engage local title insurers to understand if there are any unexpected barriers or inefficiencies in the new reform proposal. This more efficient and equitable approach *must also be effective*, meaning the process must generate clear, marketable title at the back end. Bringing local title insurers in now will greatly help ensure the long-term success of this reform measure.

Ordinance 20-0529 *Property Tax – In Rem Foreclosure and Sale – Vacant and Abandoned Property* represents a bold change to the existing system of local delinquent tax enforcement and an important step forward in the City’s efforts to address the harms imposed by vacant and abandoned properties and its negative impacts on racial equity in neighborhoods throughout Baltimore. We commend the City for its leadership in implementing this new state law and we look forward to following your progress and offering our support in the years to come.

Sincerely,



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