



Neighborhood Housing Services of Baltimore, Inc.

March 7, 2023

Senator Guy Guzzone  
Budget and Taxation Committee  
Miller Senate Office Building  
Annapolis, MD 21401

**RE:** Senate Bill 855

Honorable Senator Guzzone and Members of the Committee:

I am the Executive Director of Neighborhood Housing Services of Baltimore (NHS), and a resident of Baltimore City. Our organization believes that economic and social justice are a right for all residents and communities. We promote this belief by removing barriers of access to homeownership, helping resident access resources to maintain their homes, and supporting communities historically impacted by systemic disinvestment.

In October 2021, Mayor Scott appointed me co-chair, along with the Deputy City Administrator, of a work group charged with creating an equitable tax collection system that would serve the needs of residents of Baltimore City. The work group, made up of advocates and tax sale stakeholders familiar with the current tax sale system, recognized the need to develop an entirely new system rather than adjust the current system. This is because the existing system has functioned to strip wealth from low-income city residents while contributing significantly to the vacant property challenges encountered in the city by creating confusion about property ownership and responsibility. The work group also recognized that for occupied properties we need a system that treats residents with dignity and provides affordable and accessible ways to make payments while for vacant properties we need an efficient way for the city to be able to obtain title to a property. The work group established two sub-groups that met to identify solutions and make recommendations. SB855 is the result of the work done by the group addressing vacant properties which met 7 times between March and June 2022. All meetings were open with participation from diverse stakeholders.

In 2019 the Maryland General Assembly passed legislation creating an in-rem foreclosure process. This process allows a local jurisdiction to take ownership of a vacant property through the in-rem foreclosure action when the liens on the property exceed the assessed value. In Baltimore this process has been successfully implemented through local legislation. This statute allows about 30% of properties to move through the in-rem process now. The work group is



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recommending expanding the eligibility for properties to move through this system, which would allow a significant number of vacant properties, most of which are tax delinquent, to move through the process. At the end of the in-rem process there are three potential outcomes for the property. Under the current in rem system if the liens exceed the assessed value the city can assume ownership because the property does not have any value. There are two additional proposed outcomes for properties acquired when the liens do not exceed the assessed value. The first new proposed outcome is to do an auction. This model is based on the current receivership process. The fair market value is determined by the winning bid sale price with proceeds distributed by the courts in order of priority. The second new proposed outcome is to have an appraisal done and to allow the city to purchase the property for that amount minus any outstanding liens owed to the city. The court would be responsible for distributing proceeds. This approach is similar to the eminent domain process of using appraisals to determine value.

The benefit of this expanded usage of in rem foreclosure is the speed at which properties can return to productive use. The in-rem process is expected to take 6-9 months from the time the property is identified as a priority for acquisition. With the current system, the process typically takes 2-4 years. Additionally, the proposed system will allow Baltimore City to control the outcome of the property. The city can prioritize community identified outcomes that serve the interest of the city and its residents. This will result in having better tools to address the vacant house issue that plagues our communities.

Thank you for your consideration of SB855. We appreciate the support of the delegation and request a *favorable* report.

Sincerely,



Daniel T. Ellis  
Executive Director