

CDN HB855 FAVORABLE.pdf

Uploaded by: Claudia Wilson Randall

Position: FAV



Testimony SB 855
Environment and Transportation Committee
March 28, 2023
Position: FAVORABLE

Dear Chairman Barve and Members of the Environment and Transportation Committee

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities.

CDN has been part of the ongoing work to reform the process of tax sale in the state since 2016. In 2017, CDN was a lead partner in the Task Force to Study Tax Sales in Maryland. CDN currently serves on the Baltimore City Mayor's Tax Sale Workgroup in Baltimore City.

SB 855 – Authorizes certain vacant property and nuisance property located in Baltimore City to be subject to a certain in rem foreclosure process; requiring service of a complaint for in rem foreclosure to be served in accordance with the Maryland Rules; providing for the distribution of surplus proceeds from the sale of property subject to an in rem foreclosure; authorizing an in rem foreclosure order to be set aside under certain circumstances; etc.

In Rem is a game changing tool to stabilize and grow Baltimore city neighborhoods. The city no longer needs to be subject to the violence of vacancy and neglect. Community based non-profit developers can begin to take hold of derelict properties and lots and work with communities to develop market-rate, market-ready housing and community amenities.

According to a study released in December 2022 from the Perelman School of Medicine and School of Arts and Sciences at the University of Pennsylvania, and Columbia University Mailman School of Public Health, [published in JAMA Internal Medicine](#). The findings suggest that fixing dilapidated, abandoned houses is an inexpensive intervention that local governments can add to their prevention efforts to address the current gun violence crisis. The study highlights how these houses have implications far beyond just the aesthetics of a neighborhood—and how simple, structural fixes to these homes can make the neighborhoods safer and by extension the people healthier.”

We urge your favorable report for SB 855.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network

SB855 In Rem Tax Sale Reform House Cross.pdf

Uploaded by: Dan Ellis

Position: FAV



Neighborhood Housing Services of Baltimore, Inc.

March 24, 2023

Delegate Vanessa E. Atterbeary,
Ways and Means Committee
House Office Building
Annapolis, Maryland 21401

RE: Senate Bill 855

Honorable Chair Atterbeary 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



25 E. 20th Street, Suite 170 Baltimore, Maryland 21218

Office: 410-327-1200

Fax: 410-675-1855

www.nhsbaltimore.org

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

SB 855 Baltimore City - Property Tax - In Rem Fore

Uploaded by: Destiny Bell

Position: FAV

CORY V. MCCRAY
Legislative District 45
Baltimore City

DEPUTY MAJORITY WHIP

Budget and Taxation Committee

Subcommittees

Chair, Health and Human Services

Vice Chair, Capital Budget

Executive Nominations Committee

Legislative Policy Committee

Joint Committee on Gaming Oversight



James Senate Office Building
11 Bladen Street, Room 221
Annapolis, Maryland 21401
410-841-3165 · 301-858-3165
800-492-7122 Ext. 3165
Cory.McCray@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Vote Yes on Senate Bill 855/HB 921

Bill Title: Property Tax – In Rem Foreclosure

Hearing Date: March 28, 2023, Way's and Means

Greetings, Chair, Vice Chair, and members of the Committee

Good afternoon, it is with great pleasure that I present to you, Senate Bill 855. In SB 855 the accountability foreclosure is shifted to the owner instead of the past resident. There are instances where the vacant properties have become unidentified, but that shouldn't hinder progress from being made. Vacant and abandoned properties are not in the best interest of the neighborhood. More commonly, there isn't just one vacant home there are plenty on the block. As a city, we hold a standard of quality housing but the surplus of abandoned homes does not align with that.

Senate Bill 855 authorizes certain properties of Baltimore City to partake in rem foreclosure. During this period of foreclosure, the bank will

go through gain ownership of the house again and proceed with eviction. It is important to highlight that the lender cannot sue the evicted person for money during this process.

The properties that qualify for Rem Foreclosure consist of a vacant lot or improved property cited as vacant, unsafe, or unfit for the habitat. Real property located in Baltimore city may be subject to foreclosure and sale of the vacant property is determined under the Baltimore city building code.

In approving Senate Bill 855, established criteria will be created and followed. The standard of filing complaints for a rem foreclosure is necessary. Along with that, administrative rules and procedures must be created to continue with the process.

In the event that a foreclosed property is sold, the following will go into effect:

- Surplus proceeds shall be held by a county or municipality for a period of 12 months.
- After 12 months, surplus proceeds shall be distributed to any person with an outstanding claim on the property.

It is extremely important that we work to fix the disparities in this community. Voting in favor of Senate Bill 855, is a step in the right

direction. For these reasons, I respectfully ask for your support in approving
Senate Bill 855.

Respectfully,

A handwritten signature in blue ink, appearing to read "Cory", with a stylized flourish at the end.

Cory V. McCray
45th District

SB0855 Crossover.docx.pdf

Uploaded by: Director Michael Higgs

Position: FAV

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



MICHAEL HIGGS
Director

MARCUS ALZONA
Deputy Director

301 W. Preston Street, Room 801, Baltimore, Maryland 21201
Legislative Director: Jonathan.Glaser@Maryland.gov
1-888-246-5941 TTY: 1-800-735-2258
www.dat.maryland.gov

HEARING DATE: March 28, 2023

BILL: SB0855

TITLE: Property Tax – *In Rem* Foreclosure

SDAT POSITION: SUPPORT

The State Department of Assessments and Taxation (SDAT) supports Baltimore City's strategy to use “in rem” foreclosure to expedite the process of returning nuisance properties to productive use.

This bill would make properties designated as nuisance by Baltimore City Building Code also subject to *in rem* foreclosure, and it would permit the City to determine the lien threshold.

In rem foreclosure is the process by which Baltimore City can foreclose on a vacant lot or vacant building if the municipal liens exceed the assessed value of the property. Baltimore City often reports that vacant and nuisance properties regularly cycle through the tax sale process each year and have negative impacts on the community. This bill provides a potential solution to this issue.

For these reasons, SDAT urges a favorable vote on SB0855.

SB0855-WM-FAV.pdf

Uploaded by: Nina Themelis

Position: FAV



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

SB 855

March 28, 2023

TO: Members of the Ways and Means Committee
FROM: Nina Themelis, Interim Director of the Office of Government Relations
RE: Senate Bill 855 – Property Tax – In Rem Foreclosure

POSITION: Support

Chair Atterbeary, Vice Chair Wilkins, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 855.

SB 855 would allow for Baltimore City, at its option, to expand the Judicial In Rem foreclosure tool to include properties that are defined as “vacant” or “nuisance” properties, and to establish a lien-to-value threshold for such expansion. It would also enhance notice requirements for interest holders. Finally, it would direct that excess proceeds from the sale of In Rem properties be returned to the interest holders.

Giving the City the option to expand the properties that are eligible for Judicial In Rem foreclosure will create another tool for the City address properties that cause quality of life issues in our neighborhoods, allowing an acquisition option in addition to citations and receivership. The enhanced notice requirement, which requires service of the complaint on each interest-holder in accordance with the Maryland Rules, will ensure that the due process rights of all interest holders are observed and protected, and also that the title that results is good and marketable. Finally, the bill’s provisions for the distribution of surplus proceeds to the interest holders is a fair outcome, where such excess proceeds exist.

The passage of SB 855 would have minimal impact on Baltimore City operations and we do not anticipate a significant fiscal impact. This would provide for a more effective remedy to address properties that have a blighting influence on our neighborhoods. The BCA agrees with and supports the amendments that have been made to SB 855 as they help to clarify certain procedures in the in rem foreclosure process.

For these reasons, the BCA respectfully request a **favorable** report on SB 855.

