

As amended on January 25, 2016
Resolution No. 2587

A RESOLUTION OF THE CITY OF SALISBURY, MARYLAND SUPPORTING HOUSE BILL ENTITLED "AN ACT CONCERNING TAX – PROPERTY ARTICLE" TO GIVE THE CITY OF SALISBURY CERTAIN TAX SALE POWERS TO COMBAT ABANDONEDMENT AND BLIGHT IN SALISBURY.

WHEREAS, the City of Salisbury acknowledges that certain properties in the City have been abandoned by their owners and are falling or have fallen into disrepair; and

WHEREAS, some of these same property owners are no longer paying their property taxes and these properties are being sold at tax sale; and

WHEREAS, these properties are either not being purchased or are being purchased and not properly repaired or maintained ~~by individuals with no intent to repair or properly maintain the property;~~ and

WHEREAS, Baltimore City has in place a mechanism to close this cycle of disrepair and disinvestment; and

WHEREAS, the City of Salisbury wishes to employ this same mechanism to encourage and facilitate reinvestment in our neighborhoods; and

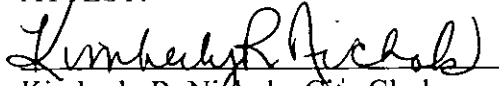
WHEREAS, MD Code Ann., Tax – Property Article §§14-817 through 14-845 must be amended for the City of Salisbury to employ these tools; and

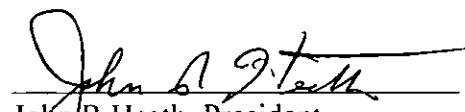
WHEREAS, Delegate Sheree Sample-Hughes has sponsored and introduced House Bill ___ in order to achieve this aim.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Salisbury, Maryland that the Council unanimously endorses and supports HB ___ and directs the Mayor to submit this resolution with his written testimony to the Ways and Means Committee of the Maryland House of Delegates.

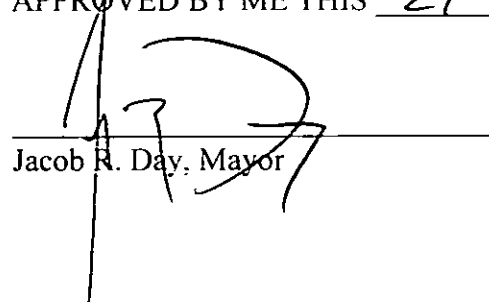
THE ABOVE RESOLUTION was introduced, read and passed at the regular meeting of the Council of the City of Salisbury held on the 25th day of January, 2016 and is to become effective immediately.

ATTEST:


Kimberly R. Nichols, City Clerk


John R. Heath, President
Salisbury City Council

APPROVED BY ME THIS 27th day of JANUARY, 2016


Jacob R. Day, Mayor

MEMO

OFFICE OF COMMUNITY DEVELOPMENT

To: City Council
From: Theo Williams
Subject: Tax Sale Changes
Date: January 4th, 2016; UPDATED 1/20

UPDATE: As General Assembly bills cannot apply to only one municipality, the bill which will be introduced will apply to all municipalities throughout the state. The intent and powers of the bill will be the same, but the language of the bill have to change in order for it apply to all municipalities.

The memo below summarizes the current process of tax sale and what the intention of bill being proposed at the Maryland General Assembly. Delegate Sheree Sample-Hughes has agreed to sponsor and introduce this bill. The administration is looking for council's (hopefully unanimous) support of this bill. In addition to receivership and code enforcement, this bill will add another "tool" to the City's toolbox in combating blight and disrepair.

The proposed changes to the Tax – Property Article of the MD Code are intended to speed up the tax sale process and close cycles of disinvestment and delinquency of properties. These changes relate specifically to vacant lots, i.e. lots with no improvements, and lots with vacant buildings which are unfit for human habitation. Currently the tax sale process occurs as follows:

- Mid-April: Notices of delinquency go out to property owners
- April 30th: If real estate taxes are not paid by this date, the tax sale process formally begins
- May: Tax sale properties are advertised in the Daily Times three times.

- Beginning of June: Properties are advertised for the last time.
- Day before Tax Sale: Last day for property owners to pay taxes and prevent the property from going to tax sale
- Mid-June: Tax Sale, this year it was Wednesday, June 17th, 2015.
- If the property is unsold, the City/County must wait two years to resell the property
- If the property is sold, the purchaser must wait six months to file foreclosure on the owner's right to redemption
- If the purchaser does not file foreclosure within two years and the property is not redeemed by the original owner, the purchaser's certificate of sale is void and the property starts the tax sale process over again.

This process can lead to a cycle of delinquency and disinvestment. As the purchaser is not the owner of record, until they foreclose on the past owner's right of redemption, the original owner is technically still responsible for the taxes and fees due. So, should a property go to tax sale in 2015, and the purchaser of property does not file to foreclose on the right of redemption, the property will just sit for two years, continuing to collect overdue taxes and fees from grass cuttings and other nuisance abatements. By 2017, when the property goes up for tax sale again, it will have an even larger amount due against it. Eventually, as has occurred with numerous properties, the taxes and liens due on the property will equal or surpass the value of the property.

Thus, this proposal grants the City of Salisbury an additional tool to combat this. The proposal applies only to vacant lots and improved lots with buildings that are unfit for habitation. Through this change in the MD code, Salisbury would have the authority to lower the opening bid below the taxes and fees outstanding, e.g., if a property has \$40,000 worth of taxes and fees due against it, but the property is only worth \$20,000, the City could lower the opening bid to \$15,000. While the City can already do this by way of waiving the taxes and fees due against the property, this proposal adds a number of very important qualifiers:

- The original owner of record will still be responsible for the difference in the amount of taxes due and the purchase price. In the example above, the original owner would still owe the city \$25,000.
- In order for the original owner to redeem the property from the purchaser, they would have to pay all the taxes and fees due, not just what the purchaser paid.

- If the purchaser buys the property for *less than* the total taxes due, the purchaser must pay the full amount bid on the date of sale. Currently, tax sale bidders only pay the opening bid, not their final bid. This enables bidders to bid extravagantly, even over a million dollars, as we saw at the last tax sale. Thus, if someone bids \$35,000 for the property in the above example, they have to pay the full \$35,000 on the date of sale, not just the opening bid of \$15,000.
- Whoever purchases the property no longer has to wait six months to file foreclosure on the right of redemption; they may file immediately.
- BUT the purchaser MUST file to foreclose within three months, unless granted an extension.
- IF THEY DO NOT, the certificate of sale is void and it reverts to the City. The City then may then either file to foreclose in its own name or resell the certificate.

These provisions attempt to end the cycle of disinvestment that occurs with abandoned properties. By forcing the purchaser to pay the full bid amount on the day of sale and requiring them to foreclose within three months, this weeds out those bidders who are just looking at tax sale as an investment opportunity, with no interest in rehabilitating the property. Moreover, if no one purchases the property, then the City has the opportunity to purchase it and is given the same powers as private purchaser.

This process currently applies to Baltimore City and can be found in MD Ann. Code, Tax – Property Article, §14-817 through §14-845; with the greatest substance in: 817(c), 818(a), 820(a), 824(b), & 833(c)(d).