

Council Agenda Report

Date: October 11, 2016

Prepared and Submitted by: Sandra Tripp-Jones, City Manager *S&D*

SUBJECT: Request from Michael Baugh, Agent for JWB Properties, LLC, that Council waive outstanding fines, charges and penalties on 528 High Street and 810 Pine Street, Cambridge, MD.

Recommendation: That Council:

- A. Hear Mr. Baugh's request;
- B. Deny the request; and
- C. Consider adopting A Resolution of the Commissioners of Cambridge, Maryland to Establish an Administrative Standard Operating Procedure for the Reduction or Waiver of Certain Fees and Costs Levied Against Real Property Sold at Tax Sales Where the Citations Are Issued Subsequent to the Date of the Tax Sale, reflecting the direction that Council approved on June 20, 2016 with regard to City fees and fines charged to redeem property tax certificates and a waiver for non-profits that acquire, rehabilitate, and promote home ownership for low and moderate income individuals.

Discussion:

On June 20, 2016, City Council approved a fees and fines reduction schedule for tax certificate holders who have not been notified of their responsibility to for fees and fines resulting from code violations and City maintenance of properties absent owner maintenance of their properties. Tax certificate holders are required to clear all fees and fines levied against the property before they can take ownership (redeem the certificate). Mr. Baugh was the first person to be given those reductions under that schedule. The minutes of the June 20 meeting Item 28 and the Council agenda report with the schedule of reductions are attached.

On September 26, City Council approved a waiver of all fees and fines for a Habitat for Humanity Choptank property. Such waiver was not provided for in the June 20, 2016 Council approval of the fees and fines reduction schedule. Based on the June 20 action of Council, staff recommends that Mr. Baugh's request be denied.

If Council is going to want to continue waivers for not-for-profits that buy properties for the purpose of rehabilitation or construction of new housing for low income home buyers, then the schedule approved in June should be amended. And to make sure that the schedule – whether amended or not, is recognized as “policy,” it should be embodied in a Council Resolution.

The City Attorney has prepared a Resolution that embodies the June 20, 2016 actions of Council and contains in Section A.8., language that would waive fines and costs for IRS 501(c)(3) charitable organization which primary corporate purpose is to acquire, rehabilitate and promote

home ownership for low and moderate income individuals. Note that staff is not recommending Section A.8. but has included it in recognition of the Council's vote granting such to Habitat for Humanity Choptank.

Attach.

JWB PROPERTIES, LLC
P.O. Box 505
Cambridge, MD 21613

September 30, 2016

Re: 528 High Street, Cambridge, Maryland 21613
Tax Id. No. 07-151950

810 Pine Street, Cambridge, Maryland 21613
Tax 07-151934

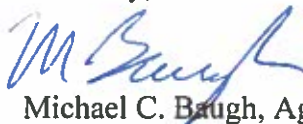
Dear Hon. Commissioners,

I am writing to request a waiver of the fines and penalties due on the above-referenced properties, for which JWB Properties, LLC has successfully foreclosed the right of redemption. While I have previously submitted documentation relative to 528 High Street for a waiver of fines and penalties based on the administrative guidelines prepared by the City, because it appears these guidelines are not in fact binding and because JWB never received notice of the fines and penalties being charged to these properties, I am respectfully requesting that they be waived in their entirety for each property.

By way of background, the certificate for each of the above properties was originally sold on June 17, 2014. While the penalties and liens charged against the properties prior to the date of the tax sale were included in the purchase price, JWB Properties, LLC never received notice of subsequent violations and charges after the purchase of the tax sale certificate and during the pendency of the foreclosure process, and the majority of these charges were not reduced to liens through the judicial process. A summary of the outstanding charges is attached hereto for your convenience.

JWB Properties has been and is willing to make a significant investment in these properties, which would include correction of all outstanding issues that resulted in these charges, but the fines and penalties outstanding are a significant deterrent to said investment. Therefore, on behalf of JWB Properties, I respectfully request a waiver of all outstanding fines, charges and penalties incurred by the predecessor owners of each of these properties.

Sincerely,



Michael C. Baugh, Agent

cc: Robert Collison, Esq., City Attorney
Sandra Tripp-Jones, City Manager



528 High Street - Tax-Sale Property Open Invoice Balance Report

As of 09/30/16

Invoice	Customer	Invoice Date	Due Date	Invoice Amount	Late Fees	Finance Charges	Payments	Balance
Invoice Type: Municipal Infract - Municipal Infracton								
2015-00000931	254 - MONEY LINE MORTGAGE	02/10/2015	08/25/2014	105.00	.00	21.85	.00	126.85
2015-00000932	254 - MONEY LINE MORTGAGE	02/10/2015	07/07/2014	715.00	.00	154.26	.00	869.26
2015-00000933	254 - MONEY LINE MORTGAGE	02/10/2015	10/17/2014	1,000.00	.00	170.06	.00	1,170.06
2015-00000934	254 - MONEY LINE MORTGAGE	02/10/2015	09/12/2014	1,000.00	.00	170.06	.00	1,170.06
2015-00001193	254 - MONEY LINE MORTGAGE	03/04/2015	03/30/2015	1,005.00	91.30	.00	.00	1,096.30
2015-00001248	254 - MONEY LINE MORTGAGE	04/08/2015	05/08/2015	1,005.00	58.10	.00	.00	1,063.10
2015-00001357	254 - MONEY LINE MORTGAGE	05/18/2015	02/16/2015	1,000.00	107.38	.00	.00	1,107.38
2016-00000003	254 - MONEY LINE MORTGAGE	07/13/2015	08/07/2015	1,000.00	49.56	.00	.00	1,049.56
2016-00000073	254 - MONEY LINE MORTGAGE	11/03/2015	12/02/2015	1,005.00	41.50	.00	.00	1,046.50
2016-00000092	254 - MONEY LINE MORTGAGE	02/09/2016	03/07/2016	1,000.00	.00	.00	.00	1,000.00
Invoice Type: Municipal Infract - Municipal Infracton Totals				\$8,835.00	\$347.84	\$516.23	\$0.00	\$9,699.07
Invoice Type: Property Maint - Property Maint								
2015-00000238	254 - MONEY LINE MORTGAGE	10/31/2014	09/20/2014	325.48	81.25	.00	.00	406.73
2015-00000290	254 - MONEY LINE MORTGAGE	10/31/2014	10/19/2014	325.48	78.00	.00	.00	403.48
2015-00000328	254 - MONEY LINE MORTGAGE	11/13/2014	12/13/2014	325.48	71.50	.00	.00	396.98
2015-00000380	254 - MONEY LINE MORTGAGE	05/06/2015	06/05/2015	325.48	48.75	.00	.00	374.23
2015-00000449	254 - MONEY LINE MORTGAGE	05/29/2015	06/28/2015	325.48	48.75	.00	.00	374.23
2015-00000543	254 - MONEY LINE MORTGAGE	06/25/2015	07/25/2015	295.48	41.30	.00	.00	336.78
2016-00000040	254 - MONEY LINE MORTGAGE	07/21/2015	08/20/2015	295.48	41.30	.00	.00	336.78
2016-00000088	254 - MONEY LINE MORTGAGE	08/18/2015	09/17/2015	295.48	35.40	.00	.00	330.88
2016-0000103	254 - MONEY LINE MORTGAGE	08/21/2015	09/20/2015	310.48	37.20	.00	.00	347.68
2016-0000158	254 - MONEY LINE MORTGAGE	09/21/2015	10/21/2015	295.48	32.45	.00	.00	327.93
2016-0000209	254 - MONEY LINE MORTGAGE	10/23/2015	11/22/2015	295.48	32.45	.00	.00	327.93
Invoice Type: Property Maint - Property Maint Totals				\$3,415.28	\$548.35	\$0.00	\$0.00	\$3,963.63
				\$12,250.28	\$896.19	\$516.23	\$0.00	\$13,662.70



810 Pine Street - Tax-Sale Property Open Invoice Balance Report

As of 09/30/16

Invoice	Customer	Invoice Date	Due Date	Resolution Date	Invoice Amount	Late Fees	Finance Charges	Payments	Balance
Invoice Type	Municipal Infract - Municipal Infracton								
2015-00001119	1918 - WATERS, ALBERT B.,	02/13/2015	08/27/2014		1,015.00	.00	198.34	.00	1,213.34
2015-00001121	1918 - WATERS, ALBERT B.,	02/13/2015	10/13/2014		100.00	.00	16.18	.00	116.18
2015-00001122	1918 - WATERS, ALBERT B.,	02/13/2015	11/10/2014		100.00	.00	16.18	.00	116.18
2015-00001210	1918 - WATERS, ALBERT B.,	03/09/2015	04/03/2015		1,005.00	74.70	.00	.00	1,079.70
2015-00001408	1918 - WATERS, ALBERT B.,	05/19/2015	02/16/2015		1,005.00	107.38	.00	.00	1,107.38
2016-00000049	1918 - WATERS, ALBERT B.,	08/10/2015	09/07/2015		1,005.00	33.20	.00	.00	1,038.20
2016-00000114	1918 - WATERS, ALBERT B.,	02/22/2016	03/18/2016		1,000.00	.00	.00	.00	1,000.00
2017-00000012	1918 - WATERS, ALBERT B.,	07/14/2016	08/12/2016		1,000.00	.00	.00	.00	1,000.00
2017-00000113	1918 - WATERS, ALBERT B.,	09/13/2016	10/12/2016		1,000.00	.00	.00	.00	1,000.00
	Invoice Type	Municipal Infract - Municipal Infracton	Totals		\$7,225.00	\$215.28	\$230.70	\$0.00	\$7,670.98
			Grand Totals		\$7,225.00	\$215.28	\$230.70	\$0.00	\$7,670.98

RESOLUTION NO. 16-

A RESOLUTION OF THE COMMISSIONERS OF CAMBRIDGE, MARYLAND, TO ESTABLISH AN ADMINISTRATIVE STANDARD OPERATING PROCEDURE FOR THE REDUCTION OR WAIVER OF CERTAIN FEES AND COSTS LEVIED AGAINST REAL PROPERTY SOLD AT TAX SALES WHERE THE CITATIONS ARE ISSUED SUBSEQUENT TO THE DATE OF THE TAX SALE.

WHEREAS, The Commissioners of Cambridge desire to establish an Administrative Standard Operating Procedure No. _____, entitled "WAIVER OF FEES AND COSTS FOR TAX SALE PROPERTIES," by establishing criteria for the granting of a reduction of fines and costs assessed against a property for violations of the property maintenance code after the date the property was sold at a tax sale.

NOW, THEREFORE, BE IT RESOLVED THAT THE COMMISSIONERS OF CAMBRIDGE hereby adopt and establish Administrative Standard Operating Procedure No. _____, entitled "Waiver of Fees and Cots for Tax Sale Properties," which shall read as follows:

ADMINISTRATIVE STANDARD OPERATING PROCEDURE NO. _____

WAIVER OF FEES AND COSTS FOR TAX SALE PROPERTIES

I. Purpose:

This purpose of this Administrative Standard Operating Procedure is to establish criteria for the granting of a reduction of fines and costs assessed against a property for violations of the property maintenance code after the date the property was sold at a tax sale. It is in City's interest that properties come back onto the tax rolls with responsible owners who pay taxes and repair and/or maintain properties. The City has treated these situations inconsistently, sometimes demanding full payment and sometimes negotiating a deal, but not always with the same deal.

II. Effective Date:

This policy and procedure shall be effective from the date of its passage and adoption, and will remain in effect until further written notice to the contrary. This order supersedes all existing policy and criteria now in effect with regard to the reduction in fines and costs assessed against properties sold at tax sale.

III. Policy:

- A. Upon written request, the City Council shall only consider granting a reduction in the amount of fines and costs assessed against properties sold at tax sales, where said assessment was made subsequent to the date of the tax, subject to the following terms and conditions:
1. The tax certificate holder completes all legal requirements and obtains a final court order foreclosing all rights of redemption to the property;
 2. The tax certificate holder agrees to execute a written agreement whereby he/she agree to bring the exterior of the property up to full compliance with the International Property Maintenance Code within 90 days or pay the full costs of citations and fees. The agreement shall provide that the tax certificate holder shall deposit into an escrow account held by City, the total amount of all fines, costs and citations. In the event the exterior of the property is brought into code compliance within 90 days, the fines and costs abated shall be returned to the tax certificate holder. In the event the tax certificate holder fails to bring the exterior of the property is into code compliance within 90 days, all of the funds deposited into escrow shall be retained by City and forfeited by tax certificate holder.
 3. The partial waiver/reduction of fines/costs shall only apply to open cases, (herein defined as cases/citations that have not yet been to court);
 4. A minimum charge of \$150 charge for each citation shall be assessed as an administrative fee on all open cases;
 5. One-half the dollar amount of citation cases shall be waived where there is an Affidavit Judgment; and
 6. None of the hard costs charges for abatements undertaken by the City shall be waived or abated;
 7. One-half of the normal administrative fees (necessary to recover direct payments to MDIA) shall not be waived or abated.
 8. Where the tax certificate holder is an IRS 501(c)(3) charitable organization which primary corporate purpose is to acquire, rehabilitate and promote home ownership for low and moderate income individuals, the City may waive or abate One Hundred Percent (100%) of the fines and costs assessed after the

date of the tax sale at which the 501(c)(3) charitable organization acquired the tax certificate.

B. NOTIFICATION TO FUTURE TAX CERTIFICATE HOLDERS.

1. Prior to each tax sale, the City shall request that the County issue a prominent notice to potential tax certificate holders that the property which is purchased at a tax sale may become subject to citations and fines if the property is not maintained in compliance with the City's Property Maintenance Code. The notice shall provide that all future citations and fines will be the responsibility of the tax certificate holder to clear any new liens before completing the action to foreclose the rights of redemption and obtaining legal title to the property.
2. City shall send the same notice to current holders of tax certificates (getting the list from the County) and publish a notice in the newspaper.
3. Tax certificate holders will be absolutely held responsible for payments of accrued tax liens once those notifications are delivered (to new tax certificate holders by the County and to current tax certificate holders by the City).

Adopted by the Commissioners of Cambridge, this ____ day of October, 2016.

ATTEST:

THE COMMISSIONERS OF CAMBRIDGE

Sandra Tripp-Jones, City Manager

By: _____
Victoria Jackson-Stanley, Mayor

A motion by Commissioner Hanson to defer this to the next meeting to give Mr. Schilling an opportunity to speak to Council was seconded by Commissioner Thomas and approved unanimously.

28. SUBJECT: Properties under Tax Certificates

Recommendation that Council:

- A. Approve a negotiated agreement with Michael Baugh to reduce code violation citations and abatement liens placed on 528 High Street, amounting to a reduction in costs from \$11,189.80 to \$5,339.80, subject to his bringing the exterior of the property up to the International Property Maintenance Code within 90 days or pay the full costs of citations and fees;
- B. Request the County notify potential buyers and buyers of tax certificates of their responsibility to clear any liens that may accrue between the time of purchase of the tax certificate and foreclosure;
- C. Direct staff to notify holders of the already issued tax certificates of responsibility to clear liens accumulated since purchase of the tax certificate and opportunity for tax lien holders only to reduce liens accrued between the time of purchase and the date of the notification; and
- D. Adopt consistent terms of reduction of liens for current tax certificate holders as outlined in the report.

A motion by Commissioner Thomas to accept Recommendation A of the City Manager regarding the negotiated agreement with Michael Baugh with regard to 528 High Street subject to the verbal amendments was seconded by Commissioner Cooke and approved unanimously.

A motion by Commissioner Hanson to adopt recommendations as stated above in Items B, C, and D was seconded by Commissioner Thomas and approved unanimously.

29. SUBJECT: Historic Preservation Commission (HPC) Enforcement

Recommendation that Council:

- A. Authorize the Acting Mayor to send a letter to HPC requesting that HPC agree to not require repairs under § 4.5.6 **Demolition by Neglect** of Dorchester County owned properties acquired for the purpose of sale on condition that the County offer the properties in the Historical District for sale within 60 days of foreclosure, and
- B. Designate a Council representative to present Council's request to HPC.

A motion by Commissioner Thomas to approve the recommendation was seconded by Commissioner Vickers and approved unanimously. Commissioner Cooke volunteered to be the representative.

30. SUBJECT: FY 2017 Edward Byrne Memorial Justice Assistance Grant Application for \$10,729 for Body Cameras

Recommendation that Council:

Council Agenda Report

Date: June 20, 2016

Prepared and Submitted by: Sandra Tripp-Jones, City Manager 

SUBJECT: Properties under Tax Certificates

Recommendation that Council:

- A. Approve a negotiated agreement with Michael Baugh to reduce code violation citations and abatement liens placed on 528 High Street, amounting to a reduction in costs from \$11,189.80 to \$5,339.80, subject to his bringing the exterior of the property up to the International Property Maintenance Code within 90 days or pay the full costs of citations and fees;
- B. Request the County notify potential buyers and buyers of tax certificates of their responsibility to clear any liens that may accrue between the time of purchase of the tax certificate and foreclosure;
- C. Direct staff to notify holders of the already issued tax certificates of responsibility to clear liens accumulated since purchase of the tax certificate and opportunity for tax lien holders only to reduce liens accrued between the time of purchase and the date of the notification; and
- D. Adopt consistent terms of reduction of liens for current tax certificate holders as outlined in the report.

Discussion:

Mr. Michael Baugh and his attorney Susan Baugh, Esq. have requested that the City waive costs of liens placed on 528 High Street, for which he holds a Tax Certificate.

The holder of a tax certificate may not be aware of the liens that are placed on the property after the point of purchase of the tax certificate, the holder is responsible for clearing them in order to complete the foreclosure and title transfer. The tax certificate holder must either pay the liens to complete the foreclosure or let the property return to tax sale foregoing what was already paid for the tax certificate. Some plead ignorance and say City should have notified them.

Considerations:

- City is responsible for notifying property owner of record not tax certificate holders. The best way of notification is at notification at the time of the purchase of the tax certificate. The City does not issue tax certificates – the County does. An individual may hold a tax certificate for 2 years before completing the purchase transaction.
- It is in City's interest that properties come back onto the tax rolls with responsible owners who pay taxes and repair and/or maintain properties.
- It is also in the City's interest that tax sale properties be bought and repaired as needed before they become so deteriorated that they must be demolished.
- The City has treated these situations inconsistently, sometimes demanding full payment and sometimes negotiating a deal, but not always with the same deal.
- Actual property owners can accumulate high citations and fines and not want to pay all, pleading hardship or absence. Negotiating reduction in liens for tax certificate holders may create expectations that property owners too can get the costs of liens lowered.

Recommendations:

1. Request the County to issue a prominent notice of the possibility of citations and fines if the property is not maintained which will be the responsibility of the tax certificate holder to clear any new liens before completing the purchase transaction. The next tax sales are in July, 2016.
2. City send the same notice to current holders of tax certificates (getting the list from the County).
3. Tax certificate holders be absolutely held responsible for payments of accrued tax liens once those notifications are delivered (to new tax certificate holders by the County and to current tax certificate holders by the City).
4. For those properties already under a Tax Certificate, City Staff negotiate a reduction in citations and fees that have accrued since the purchase of the tax certificate, using the following terms:
 - a. Waiver of any citations that have not yet been to court (open cases);
 - b. A \$150 charge for administrative fees on open cases;
 - c. Waiver of half the amount of citation cases where there is an Affidavit Judgement; and
 - d. Charge for hard costs of abatements undertaken by the City plus half of the normal administrative fee (to recover direct payments to MDIA).
 - e. Requirement that the waivers of costs be subject to the tax certificate holder agreeing in writing to bring the exterior of the property up to the International Property Maintenance Code within 90 days or pay the full costs of citations

and fees. Approved demolition of the structure would qualify as bringing the exterior up to Code.

5. Confirm that this lien reduction program is for holders of tax certificates who may not have realized that additional costs of liens might accrue before foreclosure and completion of the property purchase transactions.