

12-11-2006 [YAJ]

PART 2 OF 3 A small number of investors who own many Baltimore ground rents often sue delinquent payers, obtaining their houses or substantial fees

THE NEW LORDS OF THE LAND

ARTICLE BY FRED SCHULTE
AND JUNE ARNEY [SUN REPORTERS]

Paul W. Nochumowitz describes himself as a bail bondsman who takes home \$14,000 a year and is bankrupt.

Still, he and his wife, Amie Sue, own a \$1 million high-rise condominium on Florida's Biscayne Bay as well as a home in Baltimore County. This year, Miami Beach was the setting for Amie Sue's 50th birthday party, complete with family, friends, her New York hairdresser, a triple-decker cake with sparkler candles and a troupe of ballroom dancers.

The party and other, large expenses show that the couple maintain a "lavish lifestyle" even as Paul Nochumowitz says he cannot pay his debts, contends the trustee overseeing the personal bankruptcy case that Paul Nochumowitz filed last year.

That lifestyle, the trustee's lawyer maintains in court papers, is financed in part by businesses related to ground rent — Baltimore's arcane system of leasing the land under thousands of houses.

The Nochumowitz family is one of a few groups of investors who have bought large numbers of ground rents and frequently exercised their power under state law to sue delinquent bill payers, seeking either their houses or fees that dwarf the amount of rent.

Entities associated with four groups of individuals and families, including the Nochumowitizes, have filed more than half of the nearly 4,000 ground rent lawsuits brought since 2000, court records show. They also account for a majority of the more than 500 cases in which ground rent owners won legal right to the houses, though an unknown number of those homeowners reached settlements to keep their properties.

These family groups stand out from among the hundreds of charities, foundations, retirees and other small investors who through the years have rarely tried to seize houses.

R. Marc Goldberg, a Baltimore attorney and ground rent owner who is a member of one of the groups that often files lawsuits, says rent owners are acting within their rights to sue homeowners who fail to pay them.

"Being in a business where somebody else has to lose in order for you to gain is a tough business to be in," said Goldberg.

[Please see *GROUND RENT*, 6A]

ONLINE

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ON SHAKY GROUND // PART 2

The heirs to Lord Baltimore

GROUND RENT [From Page 1A]

Jay A. Dackman, a lawyer who is among the most frequent filers of ground rent lawsuits, suggests that rent owners are entitled to their gains because of the risks and "unknown issues" they face in taking control of aging and deteriorated Baltimore property. For those same reasons, he says, the ground rent business is not likely to appeal to someone looking for a conventional job description.

"Most people involved in this business are very interesting people," he said. "You have to be a certain kind of person to be involved in all of this. There are so many wrinkles."

Estate planning

The Nochumowitz name appears on more ground rent lawsuits than any family name — more than 500 filed from the start of 2000 through last month. The plaintiff may be Paul and Amie Sue, or trusts overseen by Paul's 86-year-old father, Fred Nochumowitz. By winning the cases, family businesses have gained the right to take possession of about 160 houses, nearly one-third of the total for all ground rent holders during that period.

The Nochumowitzes run their various real estate enterprises from a branch office of Big Boyz Bail Bonds on East 25th Street in Baltimore, according to property records.

Over at least three decades, Nochumowitz family interests amassed a portfolio of at least 3,600 ground rents, property and court records show. It is not possible to determine exactly how many ground rents they own, because there is no central registry of rent holders.

The family's businesses take in \$50,000 a month in ground rent and are managed by Paul Nochumowitz from the bail bonds company partly owned by his wife, the trustee's lawyer asserts. Lawyers for Paul Nochumowitz and for other family members vigorously deny the trustee's allegation that Paul Nochumowitz secretly owns, manages and makes all decisions for the ground rent businesses.

Paul Nochumowitz would not comment for this story, citing the bankruptcy case. Neither would his wife nor his father.

A rehabber who has done business with Paul Nochumowitz, Lauren Montillo, calls him "a stand-up straight guy."

"He loves Baltimore. He's like me — born here and I'll die here," Montillo said.

The Nochumowitzes acquired blocks of ground rents, often at bargain prices, from sources as diverse as estates, banks, an evangelical college in Texas and the St. Vincent de Paul Society, a Catholic charity that helps low-income people find housing.

In the late 1980s and early 1990s, Amie Sue Nochumowitz began to share legal ownership of ground rents with her husband. Separately, more than 1,000 were placed in trusts created beginning in the late 1980s with Fred Nochumowitz as trustee. That's a relatively common practice for the intergenerational ground rent owners, several of whom said they consider it smart estate planning.

But the way the family set up its ground rent holdings has become a major issue in Paul Nochumowitz's personal bankruptcy. His creditors include plaintiffs in at least a dozen lawsuits — one resulting in a court judgment for nearly \$500,000 — over alleged lead paint hazards in rental properties that he owned with a business partner.

George W. Liebmann, who as trustee administers the case, asserts in court papers that the ownership transfers were intended to put the ground rents and their income beyond the reach of Paul Nochumowitz's creditors. Liebmann, whose lawsuit is designed in part to make the ground rent assets available to pay creditors, alleges a "complicated, but fraudulent" asset concealment scheme.

Nochumowitz's lawyers counter that the transfers occurred several years before the lead paint suits were filed.

Liebmann's lawsuit also contends



The Nochumowitz family runs its real estate enterprises from a branch office of Big Boyz Bail Bonds in Baltimore, according to property records. Family interests have amassed at least 3,600 ground rents, records show. The family's businesses take in \$50,000 a month in ground rent, says a trustee overseeing a personal bankruptcy case filed by Paul Nochumowitz.

ELIZABETH MALBY [SUN PHOTOGRAPHER]



Ground rent owners Paul and Amie Sue Nochumowitz own a \$1 million condominium in the Murano Grande at Portofino, a waterfront high-rise in Miami Beach, Fla., on Biscayne Bay. They also own a home in Baltimore County. Paul Nochumowitz describes himself as a bail bondsman who takes home \$14,000 a year.

OMAR VEGA [SOUTH FLORIDA SUN-SENTINEL]

that at least \$130,000 was withdrawn from family custodial accounts at Paul Nochumowitz's "behest and directive" to pay for marble floors in the Miami Beach condo and a custom-built entertainment system. Ground rent income is deposited into those accounts, the trustee wrote.

Also, Paul and Amie Sue Nochumowitz have spent thousands of dollars some months on restaurant meals and boutique clothing, the lawsuit contends.

"Our clients dispute the allegations asserted in the lawsuit and intend to vigorously contest these matters," said lawyer Richard M. Kremen. He represents Amie Sue Nochumowitz, her children and her mother- and fa-

ther-in-law in the trustee's lawsuit.

Nochumowitz lawyers in court filings accused the bankruptcy trustee of "attempted intimidation" of family members through a series of "imaginative accusations to destroy their reputations and turn legitimate investments, business enterprises and tax and estate planning into fraudulent transfers."

In addition to earning money from regular collections of ground rent, ventures associated with the Nochumowitzes profit at least two other ways.

Between 2003 and July of this year, Paul and Amie Sue, or Fred acting as trustee, sold approximately 70 of the properties seized from delinquent rent payers for a total of more than

\$1.4 million. These included a vacant rowhouse in Harlem Park and a renovated house in McElderry Park that sold for \$95,000.

Gunner Bay LLC, a mortgage company partly owned by Amie Sue Nochumowitz, financed some of those sales, generating additional income, records show. Several other ground rent owners also provide mortgage financing.

Touch of Class Properties LLC, a rehab business, has purchased at least 26 of the seized properties and financed some of the deals through Gunner Bay. Touch of Class co-owner Petar Pecovic describes Paul Nochumowitz as someone who has been a mentor ever since they met at a property auction where they bid

against each other.

"Paul took us under the wing when we got out here. He helped us out a lot. I'm indebted to the man," Pecovic said.

Changing times

Though ground rents date to colonial times, many were created in the early 1900s, and after World War II, as returning GIs needed housing.

For investors, the rents were a safe, steady source of income greater than they would get from a savings account or bond — 6 percent a year on the value of the lease. A state employees' retirement fund kept ground rents in its portfolio, as did a number of local foundations, charities and financial institutions.

"It became a good investment for widows because it was so stable," said Warren Komins, whose family owns about 800 ground rents but has not filed any ejectment actions in recent years.

Sometimes homeowners didn't pay up, but many of the old-time owners didn't find it worthwhile to hound debtors. In some cases, the houses had been abandoned or were in such disrepair that they weren't worth fixing up for resale.

All that changed in the late 1990s.

As out-of-town banks bought Baltimore banks and savings and loans, they sometimes puzzled over portfolios of ground rents and unloaded them. So did estates whose heirs had no appetite for the tedium of collecting paltry sums. Thousands of ground rents were sold, many in large blocks.

In August 1999, Crestar Bank sold a big block of ground rents that it had obtained in mergers with Baltimore savings and loans. "The assets didn't quite fit" with the priorities and mix of the Virginia-based bank, said Michael McCoy, a spokesman for SunTrust Banks Inc. in Atlanta, which went on to acquire Crestar.

Buying hundreds or even thousands of ground rents made it possible to manage them far more efficiently. There was adequate volume to pay for lawyers, title researchers and clerical staff in-house. Simultaneously, city real estate values were starting to rise. Before the late 1990s, ground rent holders had little reason to seize houses, because they were not worth much money, longtime holders say.

The changes gave big operators both the means and the incentive to move against homeowners in court.

Jack and Harvey

Jack W. Stoloff and Harvey M. Nusbaum applied the same savvy to the changing ground rent landscape that had enabled them to make headlines a few years earlier. In the mid-1990s, they obtained the failed Fishmarket for \$700,000 in unpaid property taxes. The previous owners tried to get it back, but Stoloff and Nusbaum won the court fight and sold the Inner Harbor site to the city for \$2.4 million.

Stoloff also was a director of the former Fairfax Savings & Loan, which in its heyday in the 1980s lent millions to PTL so its pastor, Jim Bakker, could build a theme park. When the TV ministry collapsed over Bakker's misbehavior and PTL's misdeeds, Fairfax became PTL's second-largest creditor amid criticism over the soundness of the loans.

In the ground rent business, Stoloff and Nusbaum in 1991 created Jack & Harvey Inc., with themselves as directors. Jack & Harvey has filed at least 235 ejectment suits in the past six years.

Another firm in which they have played roles became the first major ground rent holder to file a steady stream of lawsuits.

Houndswood LLC, which shares the address of Nusbaum's law practice, paid \$1.4 million for the portfolio of 3,500 ground rents it bought from Crestar. In a 2001 court filing, Nusbaum, whose state records still list as the company's registered agent, identified Houndswood's owners as his son and daughter and two Stoloff daughters. Stoloff identified himself in court papers at that time as a consultant to the firm.

Shortly after the Crestar purchase, Houndswood notified homeowners that it had taken over their ground rents and "would step up orderly collection," Stoloff testified in an affidavit.

In its first year of business, Houndswood filed batches of ejectment suits, many brought by attorney Tacey Nusbaum Himelfarb, one of the four owners. It has filed more than 500 such lawsuits since 2000.

Neither Stoloff, 71, nor Nusbaum, 68, would comment.

Jack & Harvey and Houndswood have resolved most of their cases since 2000 without taking possession of homes, according to *The Sun's* analysis of court data. Typically, the firms settle cases by accepting payments for cumulative fees, such as "review of title," "title examination" and "examination of public records for purpose of service and certified mailing," records show.

Diana R. Cobb watched her fees escalate after discovering that \$75 in ground rent was overdue on the Harlem Avenue house she had inherited from her parents. In April 2000, Houndswood notified her of its plan to sue unless she paid the debt and a \$255 [Please see GROUND RENT, 7A]



Lawyer Jay A. Dackman, a frequent filer of ground rent suits, suggests rent owners are entitled to their gains because of the risks they face in taking control of aging property.

ELIZABETH MALBY [SUN PHOTOGRAPHER]



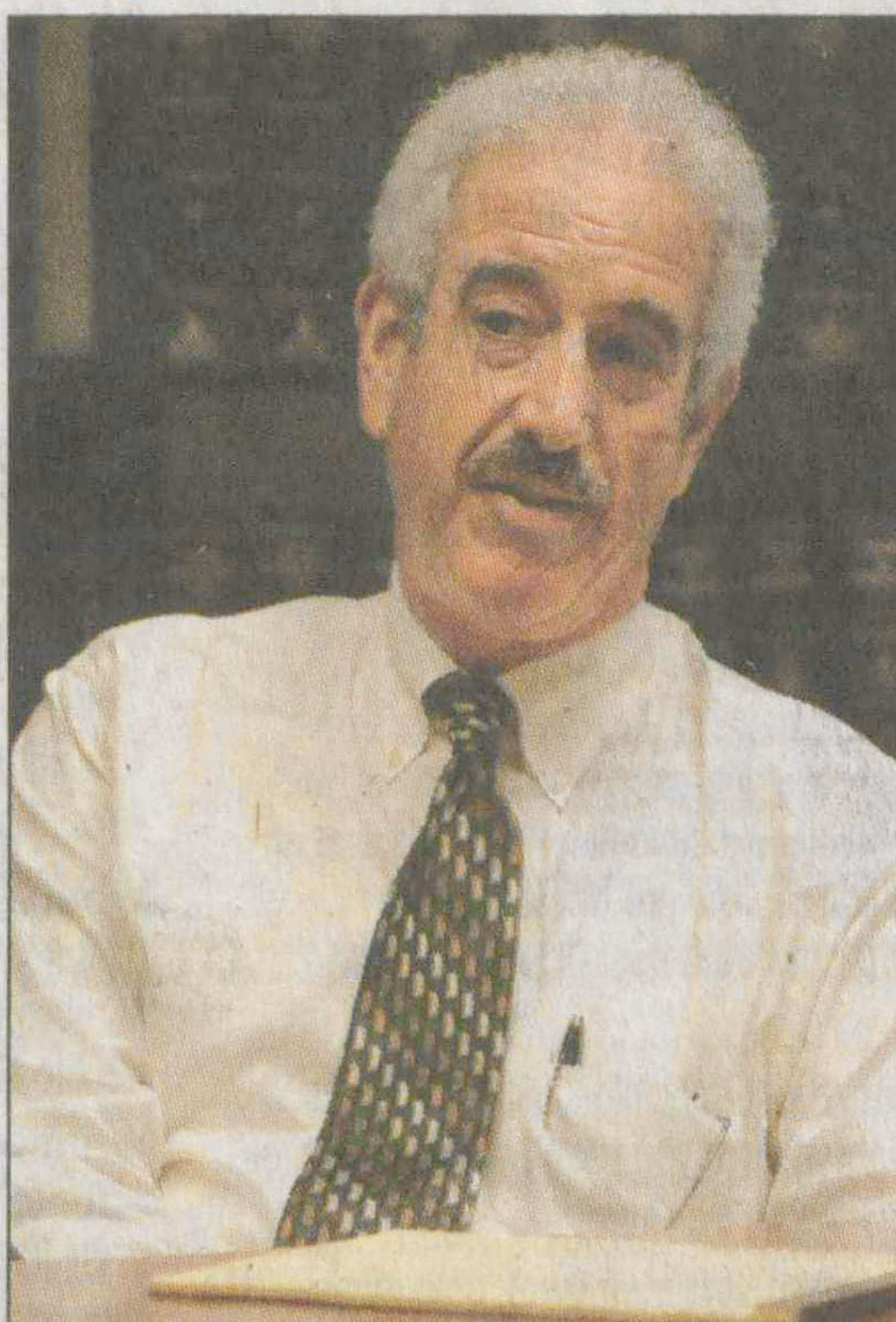
Jack W. Stoloff appears in court as a representative of Houndswood LLC, one of the largest filers of ground rent lawsuits.

JED KIRSCHBAUM [SUN PHOTOGRAPHER]



During the late 1980s and early 1990s, Amie Sue Nochumowitz began to share legal ownership of ground rents with her husband, Paul.

[BALTIMORE JEWISH TIMES]

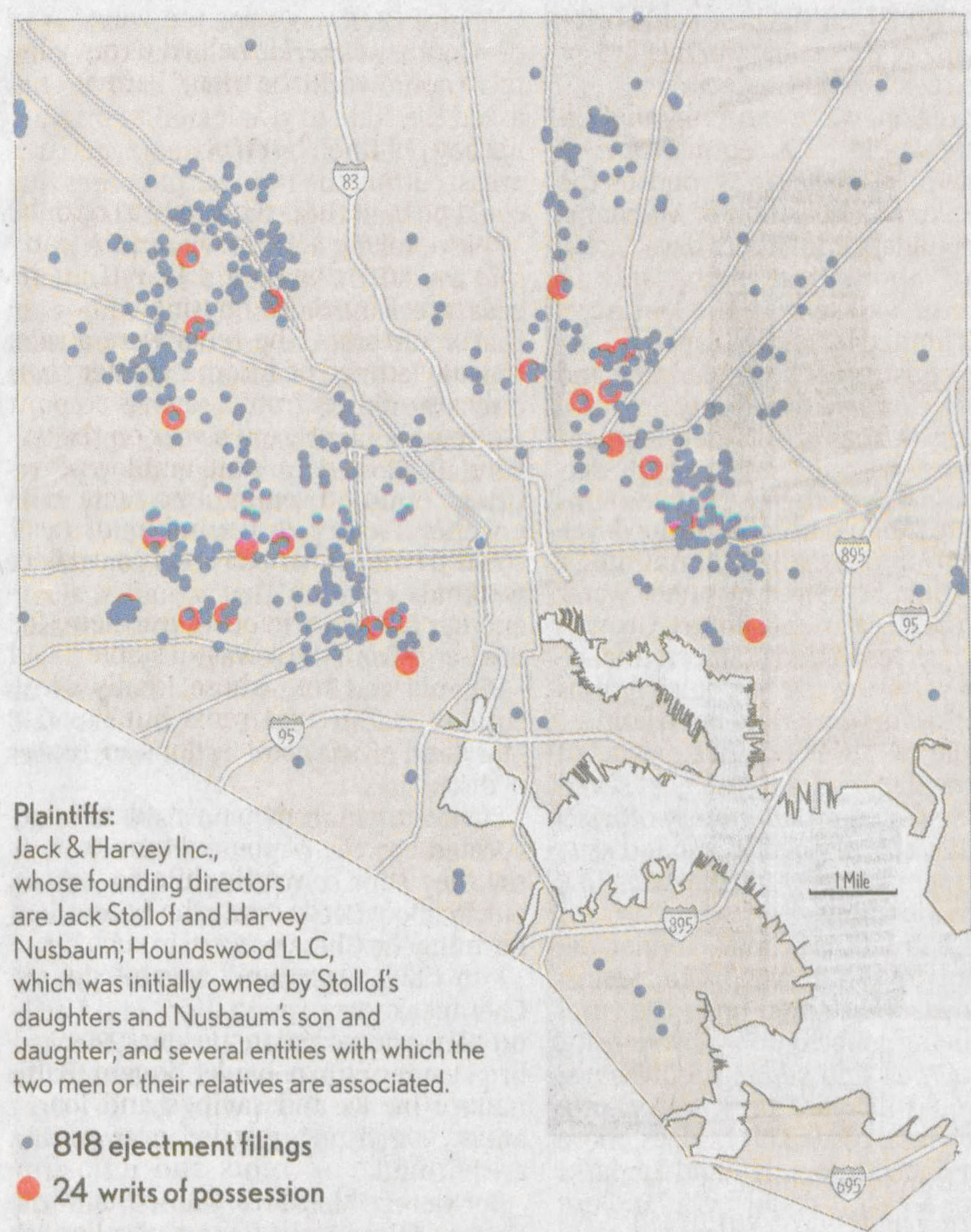


R. Marc Goldberg estimates that his family owns about 2,000 ground rents. Goldberg-affiliated businesses have filed more than 300 ejectment lawsuits since 2000.

LLOYD FOX [SUN PHOTOGRAPHER]

A CONTRAST IN COURT

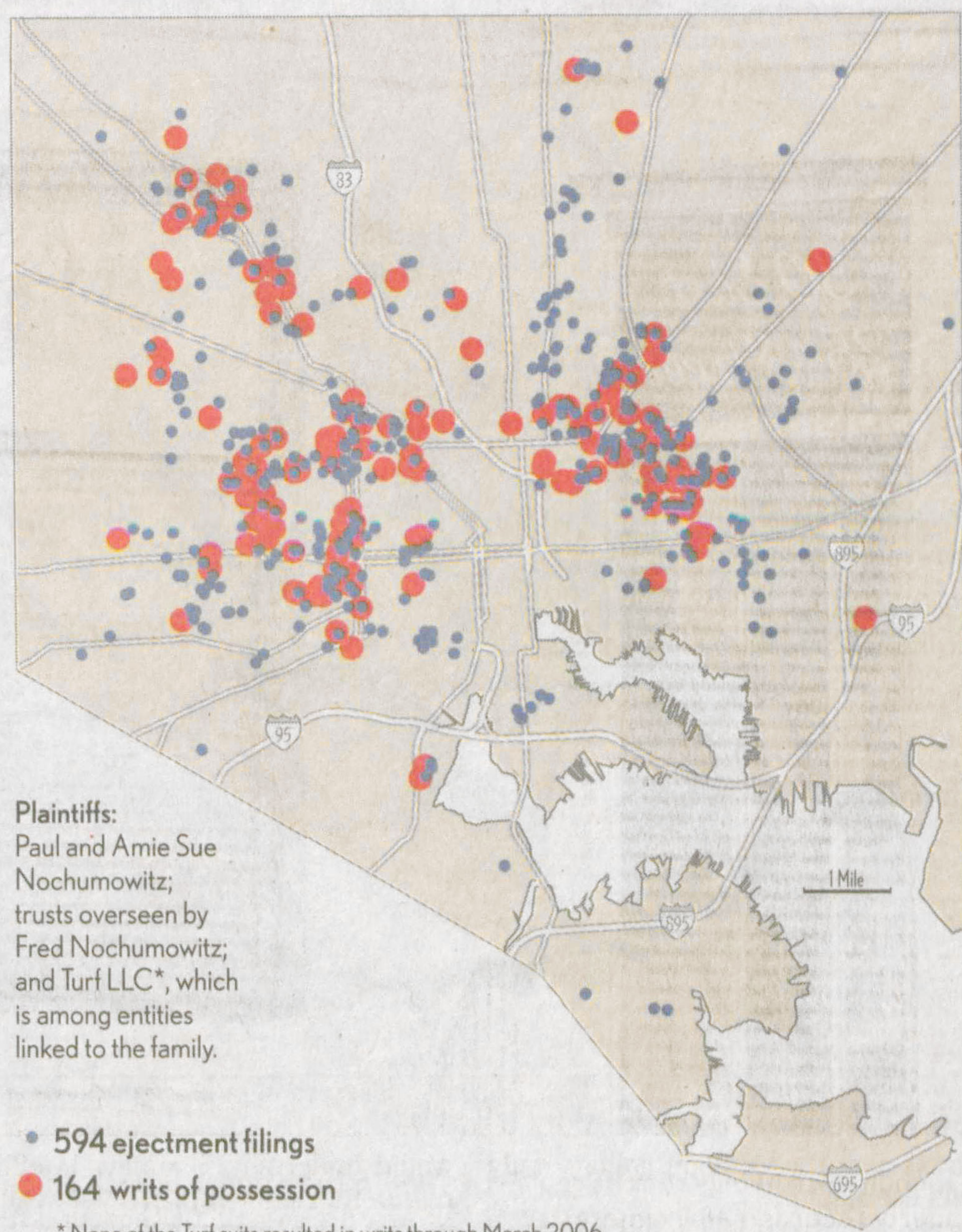
The two groups that file the most ejection lawsuits over unpaid ground rents obtain sharply different outcomes. The maps below show properties targeted by lawsuits from January 2000 through March 2006. Most cases brought by entities linked to Jack Stolof and Harvey Nusbaum were settled for back rent and associated fees, with 3 percent resulting in rights to the house. The court awarded a writ of possession in about 28 percent of cases brought by members of the Nochumowitz family, or entities linked to them. After the court issues a writ, a homeowner has a period of six months to reclaim the house by paying the judgment. Records don't make clear how often homes are reclaimed.



Plaintiffs: Jack & Harvey Inc., whose founding directors are Jack Stolof and Harvey Nusbaum; Houndswood LLC, which was initially owned by Stolof's daughters and Nusbaum's son and daughter; and several entities with which the two men or their relatives are associated.

- 818 ejection filings
- 24 writs of possession

Source: Baltimore City Circuit Court data



Plaintiffs: Paul and Amie Sue Nochumowitz; trusts overseen by Fred Nochumowitz; and Turf LLC*, which is among entities linked to the family.

- 594 ejection filings
- 164 writs of possession

* None of the Turf suits resulted in writs through March 2006.

CHRISTINE FELLEZZ (SUN CARTOGRAPHER)

WHAT IS GROUND RENT?

In much of Baltimore, and in parts of a few counties in Maryland, homeowners lease the land beneath their houses from a person, charity or business.

The amount of rent depends on when the lease was executed. Leases are written for terms of 99 years, renewable forever, though homeowners can buy out most of them under terms specified in state law.

Ground rent can be traced to 1632, when King Charles I of England gave the second Lord Baltimore all the land in what is now Maryland. Cecilius Calvert charged rent to colonists who wanted to build on his land.

After the American Revolution, Maryland's legislature empowered any landholder to demand rent, and starting in the late 19th century developers created ground rents to make rowhouses more affordable for working people. New ground rents are still being created.

PROTECT YOURSELF

How do I determine if I owe ground rent?

Look at the deed to your house. It will list a ground lease or say "fee simple," which means there is no ground rent. If you have a mortgage, the lender most likely is paying the ground rent from escrow. But call to check.

How do I avoid getting caught up in an ejection lawsuit?

There are two sure ways - pay your ground rent on time, or redeem it.

How do I locate my ground-rent holder?

If you have a mortgage, the lender should have that information. Otherwise, if your rent owner is a corporation and you can't find it through phone listings, the name and address of the firm's registered agent can be found on the Maryland Department of Assessments and Taxation Web site, at http://sdatcert3.resiusa.org/ucc-character/CharterSearch_f.asp. It's also possible the ground rent deed was transferred. To locate the new owner, go to <http://ww2.mdlandrec.net>. You'll need to get a password, though it's free and takes only seconds. From the home page, choose your locality from the pull-down menu, then go to "search land record indices."

I owe ground rent but haven't received a bill in quite a while, and I'm not sure it has been paid. What do I do?

Contact the rent owner right away. The mortgage company might have lost track of who owns the ground rent and stopped sending payments, or the rent owner might have sent bills to an outdated address. You can also consider redeeming - paying off - the ground rent. (Find instructions on how to do this at www.baltimore.sun.com/groundrent.) If you haven't received a bill or any other communication from the rent owner in three years or more, you may apply to the Department of Assessments and Taxation to do the redemption. For information and forms: www.dat.state.md.us/sdatweb/ground_rent.html.

HOW THIS SERIES WAS REPORTED

To pry open the secretive ground rent business, *The Sun* obtained computer data from the Baltimore City Circuit Court and identified nearly 4,000 lawsuits filed by ground rent holders against homeowners since 2000.

Reporters Fred Schulte and June Arney analyzed this information and pulled hundreds of case files to determine key patterns: who was filing the suits for overdue ground rent, the outcomes of the suits and where the homeowners lived. Many were losing houses as a result of these suits, and Schulte and Arney accompanied city sheriff's deputies on six occasions to observe new owners taking possession. Elizabeth Malby and other Sun photographers captured images of these scenes, important figures in the story and events at the courthouse.

Cartographer Christine Fellezz used geographic information software to plot locations, by neighborhood, of homes targeted in ejection suits.

To learn more about people involved in the ground rent business, the reporters searched state tax and assessment and incorporation records. During nine months of research, *The Sun* conducted dozens of interviews with ground rent holders, homeowners, real estate professionals, legal experts, government officials and judges.



SCHULTE



ARNEY



MALBY



FELLEZZ

GROUND RENT (From Page 6A)

attorney's fee.

Saying she had not been properly billed, Cobb tried to pay only the \$75 in person and then by mail. She was rebuffed, she wrote in a letter to the court.

Cobb, 42, said she had been unaware of the debt because the ground rent bill had gone to a vacant address that her family no longer used. She said she attempted to explain the situation in a phone call with Jack Stolof. "He rudely told me to shut my mouth, so he could speak because that was not his problem," she wrote in the letter.

Cobb said she went to a lawyer, who told her his fee would be more than she owed. On June 6, 2000, Houndswood sued Cobb, seeking to take the house for the unpaid amount of \$330.

Cobb kept fighting back, without a lawyer. Seeking help, she said, she left a message at the attorney general's office and got no response. A spokesman for the office said he could not confirm that Cobb had contacted the office.

"It was really discouraging. I kept thinking I'm about to lose my house,

and I just kept going around in circles with everybody," said Cobb. When she called city officials, she said, they told her there was nothing they could do.

"I had to go into his college savings," Cobb said. "I'm just a taxpayer trying to do the right thing."

Cobb eventually paid Houndswood nearly \$2,000 to settle the case. "I'm a single parent. It took away from a lot I was trying to do with my child," she said.

"I had to go into his college savings," said Cobb, an administrative assistant at the Maryland Shock Trauma Center. "It was hurtful."

Her son, Ramon Valentine, 21, is completing his senior year at Bowie State, a college that she said he picked for its affordability even though he had his eye on a more expensive one.

A cap of \$1,500 on legal and title fees does not apply in Cobb's case, which was filed before the legislature set a new ceiling in 2003.

R. Marc Goldberg, the lawyer who Nusbaum says speaks for him and other ground rent holders, defends

the fee system. "At the least expensive point in the procedure, everyone gets a chance," he said.

Personal experience

Goldberg said that the law and the courts provide adequate safeguards to protect homeowners. "You just can't take their house," he said.

Asked whether reform is needed, Goldberg replied: "I don't think anything needs to be fixed, except maybe the fees should be raised because things have gotten more expensive in recent years."

His viewpoint comes from personal experience in a family of ground rent holders beginning with his father, master plumber Stanley Goldberg. The ground rent operations are based at a lumberyard co-owned by Goldberg's brother, Glenn. Glenn, 49, also is involved with his brother in family ventures that have lent money to buyers of the houses that the Goldbergs seize for unpaid ground rent.

Goldberg-affiliated businesses have pursued more than 300 ejection lawsuits since the start of 2000, seeking either back rents and fees or properties, records show. R. Marc Goldberg, 55, estimates that his family owns ground rents on about 2,000 homes.

The lanky lawyer won't give similar facts about other members of Baltimore's GRO Coalition, other than to say about two dozen belong to the trade and lobbying group. He won't identify them, saying they expect him to protect their privacy.

Favorite game

Jay A. Dackman's law office is in a former dress shop. He keeps a life-size Ronald McDonald clown figure in the old display window, where his basset hound, Buddy, sometimes appears.

In more than 60 ejection cases, the companies that the lawyer is a member of or represents have been awarded the right to take possession of houses. It's not clear how often homeowners later settled the cases.

He said his involvement in ground rent collection has enabled him to make the most of his background in law, real estate and business. "I have no problems with what I've done, with what I continue to do," he said.

Dackman, 43, a one-time *Baltimore* magazine "Hot Single" whose profile listed a motor scooter among his favorite possessions, loved Monopoly as a kid.

His office on Charles Street features a Monopoly board on one wall. When he files lawsuits in foreclosure or ground rent cases, the plaintiffs sometimes bear names of companies with Monopoly themes - Boardwalk and Short Line being two examples. He won't disclose how many ground rents he owns, or name the investors in companies he creates.

Dackman has been the attorney of record in more than 300 ground rent lawsuits since 2000. He has also filed more than 1,400 foreclosure suits.

His is often a two-pronged approach, as enterprises that he represents hold not only ground rents but also property tax liens.

The city sells these rights to collect back taxes at auction, and buyers can profit handsomely. The law permits them to charge the property owner 18 percent annual interest on the tax debt, along with legal fees. Property owners who don't pay up risk losing the home to foreclosure.

Businesses that acquire both city tax liens and ground rent on the same house can file dual lawsuits, making it that much harder for the owner or occupant to retain possession.

That's what happened to Anthony Sims.

On a steamy morning last July, the 54-year-old security guard watched as his family's possessions were piled in the street. His wife's family had owned a rowhouse in the 2000 block of Ruxton Avenue in Mondawmin for more than a generation, but when his mother-in-law fell ill several years ago, no one made sure to keep up payments on either the \$84-a-year ground rent or the property taxes.

Boardwalk 2001 LLC, a firm that Dackman established, acquired the ground rent deed for \$700 in January 2005 from an estate. Later that year, Boardwalk sued the homeowner, Elaine E. Johnson, demanding three years of overdue ground rent.

Boardwalk 2001 obtained a tax lien on the house as well. For that debt, it sought back taxes for four years with 18 percent interest, along with costs for attorney's fees and a title search.

The day that sheriff's deputies put Sims out on the street, the bill stood at \$8,087.78.

Dackman rebuffed attempts to interview him about specific cases.

Standing in the street, as he pored over belongings such as vintage jazz albums and framed photos, Sims conceded that he had been warned to pay up or face the consequences. He said he couldn't afford a lawyer and didn't fully grasp the various fees.

"I just wish they'd make it a little more understandable so you keep from arriving at a situation like this," he said. "This is a trying day."

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Sun staff researchers Paul McCardell and Doris Johnson contributed to this article.



Diana R. Cobb had to pay nearly \$2,000 to keep her Harlem Avenue house from being seized by a ground rent owner. She said she had to dip into her son's college fund to pay the legal fees and other costs. "It took away from a lot I was trying to do with my child," said Cobb.



Baltimore City Sheriff's Deputy James Dutton (left) explains the process to Anthony Sims, a 54-year-old security guard, during a ground-rent-related ejection at the Mondawmin home where his family lived.

PHOTOS BY ELIZABETH MALBY (SUN PHOTOGRAPHER)