

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.