

Creating more Equitable, Efficient, and Effective Delinquent Property Tax Enforcement Systems (yes, it is possible!)

VAD Academy

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Kim Graziani, Senior Advisor for National Technical Assistance, Center for Community Progress **Taylor Bennett,** Executive Director, West Virginia Land Stewardship Corporation

Agenda



- I. Why do we care about property tax enforcement?
- II. How to analyze your own systems?
- III. What is the danger of selling tax liens?
- IV. Spotlight on West Virginia's Property Tax Reform Efforts
- V. Q+A and Discussion

Why: History matters...





Photo Credit: Eileen Keithly, South Strand News Source

There are many ways that property tax systems have been and still are unjust and exploitive, especially to BIPOC communities.

From the way properties are assessed, to the lack of outreach and availability of tax relief programs (or circuit breakers) that provide financial and other support early in the process, to the taking of property by private out of town investors over a few hundred dollars in delinquent property taxes...and more.

Why: Time is the worst enemy...



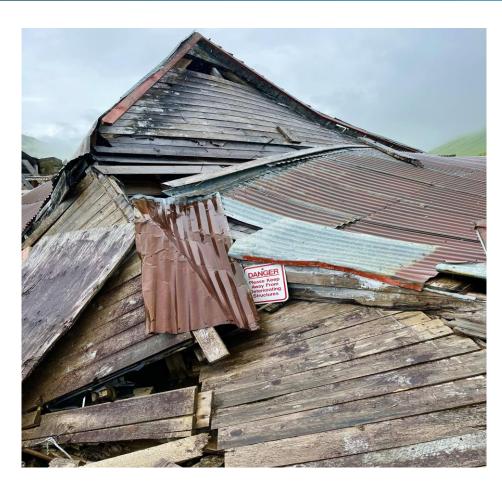


Photo Credit: Kim Graziani

One of the leading causes of vacant and abandoned properties is a broken delinquent tax enforcement system.

Tax delinquency is a clear warning sign that a property is at risk of entering a devastating cycle of abandonment and decline unless swift intervention is taken.

Time is the worst enemy of any vacant property!

Why: The most effective intervention...



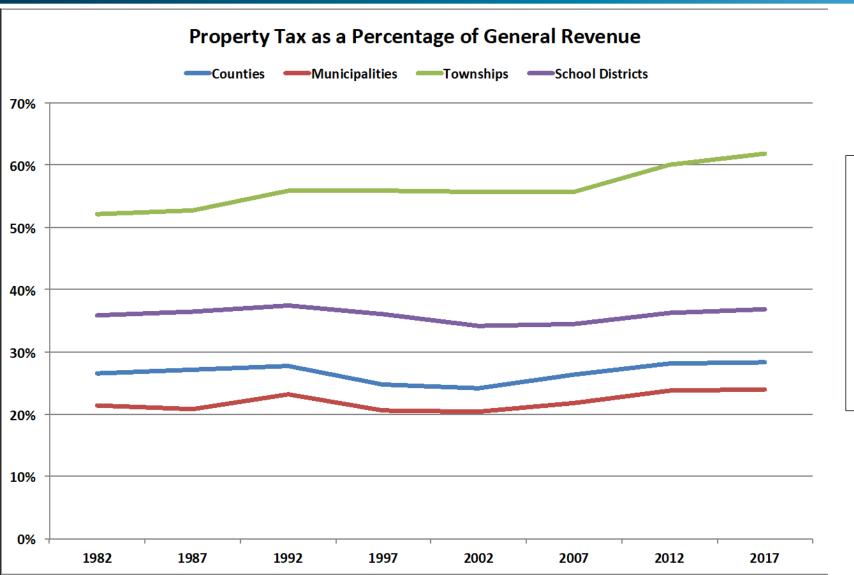


Photo credit: Shelby County Land Bank, Tennessee

Most communities have found that the most effective intervention is transferring vacant, abandoned, and tax delinquent properties into responsible ownership as swiftly as possible.

Why: The lifeblood of local government revenue...





30% of all local government general revenues

75% of all local government tax revenues

85% of all locally controlled tax revenues

Credit: Ronald Fisher, Property Taxes What Everyone Needs to Know, Lincoln Land Institute Working Paper (2021)

Basic Elements of Delinquent Property Tax Enforcement



- Property taxes are not paid and considered delinquent
- Penalties and interest accrue
- Taxes become lien on property
- Notice given to owner & interested parties with opportunity to redeem
- Enforcement Event (or multiple events)
- Ultimate transfer of the property (or debt)

Is your system EQUITABLE?



Key Elements

- Fair assessment system
- Property relief or circuit breakers available for target populations (low-income, elderly, disabled)
- "Hardship" payment plans for target populations
- Focused outreach programs about delinquency for target populations or neighborhoods

Questions

- How are properties assessed?
- Are there payment plans?
- Are there relief programs and proper outreach support based on homeowner status, income, age, disability?

Is your system EFFICIENT?



Key Elements

- Clarity in Lien Priority
- Clarity in Redemption Amount
- Clarity and "automatic" time frames for each stage of enforcement

Questions

- Are all costs included in the redemption amount (admin, code enforcement, etc.)?
- Are there duplicative processes that cost money and time?
- Are there measures in place to expedite the process for VAD properties?

Is your system EFFECTIVE?



Key Elements

- Maximum payments and redemptions prior to abandonment and deterioration
- In rem instead of In personam
- Maximum notice, once, to all interested parties by mail, by posting, by publication
- Transfers title which is insurable and marketable

Questions

- Does it result in transfer of property and not debt?
- Does it result in clean title?
- Are there measures in place to vet purchasers and be flexible in terms of price, use, alignment with community goals?

The danger of tax lien sales



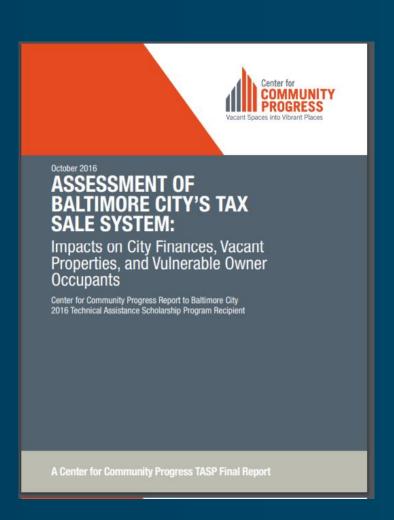
"In the beginning, you're getting this immediate windfall of cash," Lucas County auditor Anita Lopez told a reporter. "But when you think about abandoned properties, foreclosed properties – the cost to the community is far more expensive than the short-term benefits."

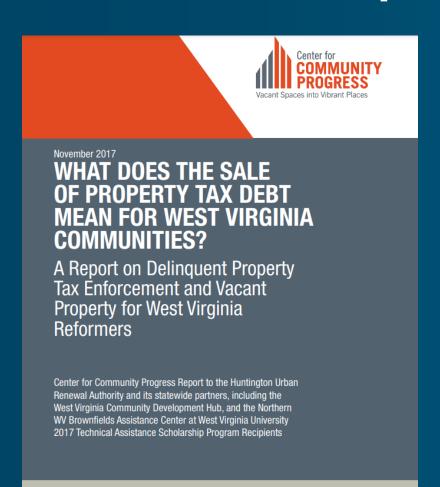
Credit: International Herald Tribune from Andrew Kahrl's Investing in Distress: Tax Delinquency and Predatory Tax Buying in Urban America

Credit: Washington Post https://www.washingtonpost.com/sf/investigative /2013/09/08/left-with-nothing/ This man owed \$134 in property taxes. The District sold the lien to an investor who foreclosed on his \$197,000 house and sold it. He and many other homeowners like him were

communityprogress.org

Impacts of tax lien sales...but reform is possible!





A Center for Community Progress TASP Report



Analysis of Bulk Tax Lien Sale City of Rochester

Submitted by

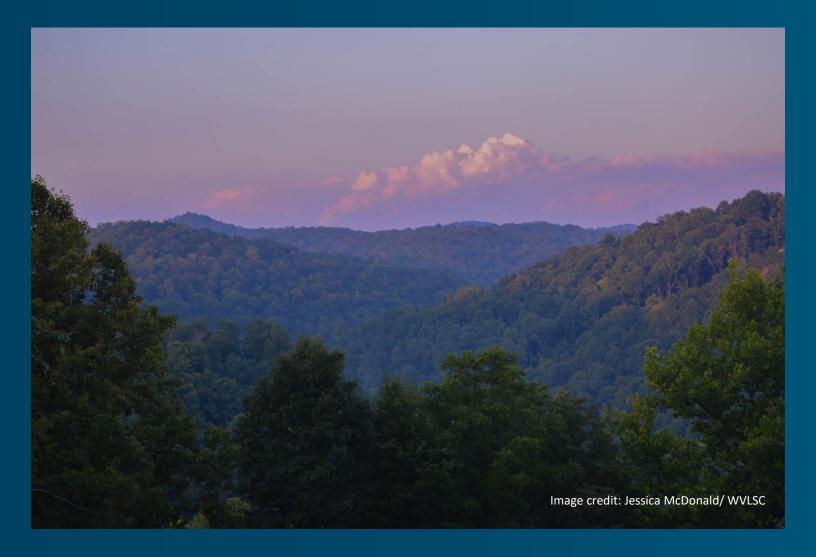
Center for Community Progress

Contact: Kim Graziani Vice President of Capacity Building 1001 Connecticut Avenue NW, Suite 1235 Washington, DC 20036

Email: kgraziani@communityprogress.net
Web: www.communityprogress.net
Phone: (877) 542-4842

FINAL REPORT February 25, 2013

Spotlight on West Virginia: Rural Land Banks fixing a broken system



The Scope of the Challenge

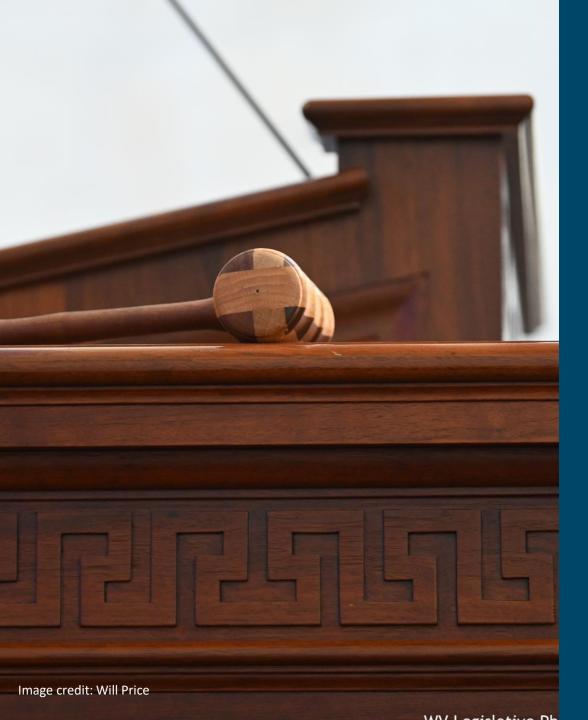
- Process of selling property tax debt entails:
 - A county tax sale followed by an 18-month redemption period
 - A state tax sale for unsold liens followed by another 18-month redemption period
 - Possibility to acquire a quit claim deed if lien is not redeemed
- Approximately 10,000 properties held as abandoned by the State Auditor
- Unknown number held up in speculation limbo





A Perfect Storm for Change

- 1. Widely Recognized Problem
- 2. Empowered Political Champion
- 3. Solid Backing from Experts/ Practitioners



Incremental Fixes

- Shortens the redemption period by 9 months and the entire process by years
- Eliminates county tax sale
- Reduces the amount of money speculators can make
- Increases the number of entities which can acquire property faster
- Designed to work with another bill which directs
 \$10 million towards demolition

What questions, thoughts, or ideas do you have?



Headquarters:

111 E. Court St. Suite 2C-1 Flint, MI 48502

National Office:

1101 14th Street NW Suite 510 Washington, DC 20005

877.542.4842 communityprogress.org

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