



STAFF REPORT

DATE: June 6, 2017

TO: Ronald L. Olson, City Manager

FROM: Leslie Hinkle, Executive Director of Community Development

SUBJECT: Establishing a policy to waive liens for demolition of dangerous buildings or health and safety abatements

BACKGROUND AND FINDINGS:

State law and city ordinances allow the city to demolish dangerous buildings and abate health and safety nuisances when particular circumstances are present. When completed, the city places a lien on the real property where the violation occurred. The city pays the costs of these activities with budgeted funds, and in the past has used Community Development Block Grant (CDBG) funds as well. Liens can be difficult to collect, particularly the larger demolition liens, and they remain on the property until someone pays.

The Bell County Tax Appraisal District forecloses on delinquent taxes and sells properties by way of a Sheriff's sale. If the minimum bid required by law is not received during the sale, the property is struck off the tax roll, rendering the property tax exempt. The properties are considered "in trust." Delinquent taxes are not collected, the property is exempt from current taxes, the city does not collect its liens, and the city will continue to incur costs for maintenance of the property and cannot recover those costs. Often properties will not sell because the city's liens exceed the minimum bid, and sometimes they exceed the value of the property.

The Bell County Appraisal District will conduct subsequent sales when a property does not sell at the initial Sheriff's sale. The properties currently in trust will not be considered because of the city's liens. Staff proposes that the liens on those properties be waived. The public purpose of waiving the liens is to return these properties to being taxable as well as reducing the amount of time and money the city spends maintaining them.

As mentioned, some work was done in the past using CDBG funds. Staff asked the Department of Housing and Urban Development ("HUD") if waiving these liens is acceptable. HUD responded that the city needed to have a policy in place for waiving liens. Approving the attached policy will satisfy HUD's requirement as well as establish a policy for the future.

By a separate item before the City Council, staff is also proposing to enter into an agreement with the law firm contracted with Bell County Appraisal District to intervene in the tax foreclosure sales, which hopefully will reduce the number of properties in trust in the future.

THE ALTERNATIVES CONSIDERED:

The city has the option to leave liens in place until paid, which is the current practice, or to establish a policy for waiving liens once properties are placed in trust.

Which alternative is recommended? Why?

Staff is recommending approval of the attached policy to waive liens on properties placed in trust. By the time a property is placed in trust, staff has made multiple unsuccessful attempts to collect the liens. The property has also failed to sell at a Sheriff's sale. Waiving the liens will increase the likelihood of sale which will return the property to taxable status and eliminate the city's responsibility to maintain it.

CONFORMITY TO CITY POLICY:

The attached policy is in conformance with state and local laws.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

There is no expenditure with this action.

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff recommends approval of the attached policy to waive liens for demolition of dangerous buildings or health and safety abatements.

DEPARTMENTAL CLEARANCES:

Legal

ATTACHED SUPPORTING DOCUMENTS:

Lien Waiving Policy