

# Tax Foreclosure Properties Sale

February 19, 2008





# Purpose

- Review the current procedures and policies of the tax foreclosure sale process
- Seek direction from Council on possible changes to current practice

# Current Process

- Dallas County contracts with a local collections law firm to foreclose on tax delinquent properties (currently Linebarger, Goggan, Blair & Sampson, LLP)
- Delinquent tax rolls submitted to law firm for collection activities
- Potential properties identified by law firm
- Criteria for selection include, among other things,
  - Amount of delinquency
  - Length of delinquency
- City generally does not have input into the identification and selection process, with a few exceptions:
  - Land Bank,
  - Community Prosecutor properties; and
  - Other properties requested by the City Manager's office, the SAFE team, URSB/Code Compliance, and individual Council members

# Current Process

- Law firm files lawsuit for delinquent taxes and other unpaid taxing authority liens against the property on behalf of City of Dallas, Dallas County, DISD, DCCCD, PHD and DCSEF
- District Court enters a judgment and orders Sheriff to sell property

# Current Process

- Law firm produces a list of properties to be sold at the Sheriff's sale - 1<sup>st</sup> Tuesday of each month
- Staff reviews the list for “undesirable” properties so they are not struck off to the City of Dallas, as trustee, in the event the properties are not sold at Sheriff's sale
- Properties generally considered “undesirable” by the City:
  - Are occupied multi-family structures
  - Have obvious legal description problems which would prevent a legal conveyance
  - Have probability of environmental issues

# Current Process

- Sheriff's Bid Process:
  - Property list posted by law firm at [publicans.com](http://publicans.com)
  - Sale takes place at Frank Crowley Courthouse via open bid process (verbal)
  - Sold to highest bidder on courthouse steps
  - Cash sale – certified funds
- Minimum bid amount must be satisfied or property will not be sold at Sheriff's sale. Minimum is the lesser of adjudged market value or the amount owed under the judgment (including taxes, penalties, interest, court costs and the costs of the sale (advertising and recording fees)) plus any other amount awarded by the judgment (attorney fees)
- Properties sold to highest bidder and conveyed by Sheriff's Deed

# Current Process

- Properties that are not sold at the Sheriff's sale are struck off to the taxing unit that requested the order of sale, typically the City
- Taxing unit to which property is struck off takes title to property for itself and all taxing units that established tax liens in judgment as trustee
- All liens included in the judgment on the property are extinguished by sale of property; personal liability of delinquent taxpayer remains for unsatisfied judgment amount
- Filing of Sheriff's Deed starts the applicable 6 or 24 month right of redemption period
- City receives copies of the judgment, order of sale, Sheriff's Deed of properties that have been struck off to the City

# Current Process

- **Acting as the trustee, the City obtains approval of other taxing authorities (Dallas County for itself and on behalf of DCCCD, PHD, DCSEF and DISD) to sell the properties and initiates process of disposition**
- **Real Estate Services routes list of properties to:**
  - Housing Department to determine if any are suitable for land bank or non-profit organizations
  - DART to determine if any are located near transit oriented districts
  - County and DISD to determine their need for property. Taxing units have agreed to valuation method for purchase of property by a taxing unit who needs it for public purpose.
- Responses to routing determines whether property is sold competitively to highest bidder, to land bank, or to a nonprofit. Approval by City Council and DISD resolution and County Commissioner's Court Order needed for each sale.



# Current Process

- Real Estate Services notifies Code Compliance of new properties to be added to its maintenance list. Code maintains lots and boards vacant structures.
- Real Estate Services transmits judgment, order of sale, recorded Sheriff's Deed, plat map on new properties to the City Attorney's Office for review
- Real Estate Services notifies prior owner that City has possession of the property as of the date the Sheriff's Deed is recorded (redemption begins) and that the property is being offered for sale

# Current Process

- **After city attorney review and necessary approvals from other taxing units, staff establishes a bid opening date for properties**
- **City Council receives notices of proposed bid opening dates**
- **For properties to be offered for competitive bid, marketing of the property includes:**
  - Placing a “for sale” sign on property
  - Advertising in newspaper
  - Mailing notice of proposed sale to all adjacent property owners within the same block and to any interested party
  - Posting bid packets on the City of Dallas’ website
  - Making bid packets available in Real Estate office
  - Translation of the bid packets into Spanish
  - Making tax foreclosure files available for review by general public

# Current Process

## ■ Sale disclaimer terms

- Property is sold “as is”, “where is” and “with all faults”
- Legal description is reviewed by Real Estate and CAO

## ■ Minimum bid established

- In no case is minimum set at less than \$1,000 for vacant lots

# Current Process

- Real Estate Services conducts sealed bid process
  1. Bid packet and advertisement contain deadline information for submission of bids
  2. Bid packet contains: No Title Policy Statement, Certification of No Debts Owed to the City and No “Conflict of Interest” Statement
  3. Bids are delivered in sealed envelopes with the property address shown on the envelope along with 10% of bid as deposit and funds for recording fees
  4. Bids are opened at a specified time and location on day of sale
  5. Bids are read aloud and recorded on a bid sheet and a display board simultaneously for viewing by general public
  6. Bid deposits returned to unsuccessful bidders
  7. Letters notifying high bidders of monetary balance due are prepared – sale conditioned upon City Council approval
  8. Properties owned by high bidders are checked for delinquent taxes and chronic code violations
  9. Properties placed on council agenda for final action
    - Acceptance of the bids
    - Rejection of the bids

# Current Process

- If bids are accepted and approved by City Council, Staff prepares Quitclaim Deeds and submits to CAO, CMO and CSO for execution
- Quitclaim Deeds released for filing after receipt of remaining funds

# Current Process

## ■ Disposition of funds\*

<input type="checkbox"/> Development Services	\$500.00
<input type="checkbox"/> Code Compliance	\$400.00
<input type="checkbox"/> Post Judgment Liens	Special Collections
<input type="checkbox"/> Court Costs	Dallas County
<input type="checkbox"/> Taxes, penalties, interest and attorney fees (per judgment)	Dallas County Tax Assr
<input type="checkbox"/> Liens (per judgment)	Special Collections
<input type="checkbox"/> Excess Proceeds	Dallas County Tax Assr

***\*Order of 3<sup>rd</sup> party tax sale disbursement***

# Policy Questions

- **Should the primary consideration for disposition of properties continue to be returning property to productive use by the private sector?**
- **Should the city reject bids less than the DCAD value of property?**
- **Does the City benefit from the additional revenue obtained?**
- **What additional efforts should be made to advertise the properties?**
- **How long should City hold properties for higher bids?**
- **What additional information should be obtained on bidders?**