

Memorandum



CITY OF DALLAS

DATE October 12, 2012

TO Members of the Economic Development Committee: Tennell Atkins, Chair; Ann Margolin, Vice-Chair; Jerry R. Allen; Monica Alonzo; Sheffie Kadane

SUBJECT Tax Foreclosed Properties Briefing

On Monday, October 15, you will be briefed on the City's process for disposal of tax foreclosed properties and alternatives to the typical process. A proposed tax sale transaction will also be discussed. The briefing is attached.

Please feel free to contact me at 214-670-3296 with any questions.

A handwritten signature in black ink, appearing to read 'Ryan S. Evans', with a long horizontal line extending to the right.

Ryan S. Evans
Assistant City Manager

C: Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge Daniel Solis, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, City Controller
Stephanie Cooper, Assistant to the City Manager – Council Office
Theresa O'Donnell, Director, Sustainable Development and Construction

Tax Foreclosed Properties

Economic Development
Committee

October 15, 2012





Purpose

- Discuss current procedures for disposing of tax foreclosed properties
- Present possible additional procedures for consideration
- Discuss a specific, proposed transaction

Current Procedure



- Law firm files lawsuit for delinquent taxes and other unpaid taxing authority liens against the property on behalf of Dallas County, DISD, DCCCD, PHD and DCSEF
 - Judgment and Order of Sale
- Law firm produces a list of properties to be sold at the Sheriff's sale - 1st Tuesday of each month

Current Procedure



- Staff reviews the list for “undesirable” properties in the event the properties are not sold at Sheriff’s sale
- Properties generally considered “undesirable” by the City are:
 - Occupied multi-family structures
 - Obvious legal description problems which would prevent a legal conveyance
 - Probability of environmental issues

Current Procedure



- Sheriff's Sale takes place at Frank Crowley Courthouse via public auction
 - Sold to highest bidder on courthouse steps
 - Cash sale – certified funds
 - Properties sold to highest bidder and conveyed by Sheriff's Deed

Current Procedure



- Properties that are not sold at the Sheriff's sale are struck off to the City as Trustee on behalf of itself and the other taxing entities, for disposition
- Real Estate Services routes all properties to:
 - Housing Department to determine if any are suitable for land bank.
 - DART to determine if any are located near transit oriented districts
 - City, County and DISD to determine their needs

Current Procedure



- Real Estate Services notifies:
 - Code Compliance, to add properties to the Mow/Clean schedule for routine maintenance; and
 - Prior owner, stating that the City has possession of the property and that the property is being offered for sale

Current Procedure



- Schedule resale of properties by sealed bid procedure (Section 272.001 Texas Local Government Code)
- Place an advertisement in the newspaper on two separate days
- Mail notice of proposed sale to all adjacent property owners within the same block and to any interested party

Current Procedure



- Post bid packets on the City of Dallas' website and made available in Real Estate office
- Have bid packets translated into Spanish; and
- Make tax foreclosure files available for review by the general public

Current Procedure



- Property due diligence
 - Property is sold “as is”, “where is” and “with all faults”
 - Legal description is verified by Real Estate and CAO for accuracy and adequacy
- Minimum bid established by:
 - Reviewing DCAD market values; and
 - Struck off amounts set out in the Sheriff’s deed
- Minimum bid amounts for properties receiving no bids from a previous sale are reduced up to 50%

Current Procedure



- Bids opened in public
- Due diligence performed on high bidders
 - No back taxes or City liens owed on any properties owned within City
 - No chronic Code Violators
 - Previous owner or someone acting on behalf of previous owner not qualified to bid
- Sold subject to statutory redemption periods
 - 2 years residential homestead property
 - 180 days other

Current Procedure



- Qualified bids submitted to City Council for authorization
- County and DISD approvals obtained
- Buyers responsible for paying post-judgment taxes
- Taxes, penalties and interest after Judgment years through date of Sheriff's deed to City

Current Procedure

- Quitclaim deeds prepared and all outstanding monies are collected and distributed accordingly:

- Real Estate Services pre-determined formula
- Code Compliance pre-determined formula
- Court Costs
- Taxes (per judgment)
- Special Collections - Liens (per judgment)
- Post Judgment Taxes

Alternative to Current Sealed Bid Procedure

- City has been asked to consider an alternative
- 1502 Pennsylvania
 - Vacant, former convenience store with gas pump struck off to City in February 2012
 - Request from non-profit to acquire property through direct negotiated sale
 - On behalf of adjacent property owner, St. Phillips Church
 - Public Purpose: food bank / grocery
 - Statutory redemption period has expired

Alternative



- Authorized by Local Government Code
- Contemplates contractual commitment by Purchaser with City to develop / use the land in way that benefits public
 - Case-by-case evaluation
 - Individually structured agreements
- The other taxing authorities (County and DISD) must consent to the transaction

1502 Pennsylvania Conditions

○ Negotiated Conditions of Sale

- Payment of post-judgment taxes
- Continued use as food bank / grocery or reverts back to the City
- Property renovation to occur within 18 months
- Property maintained to Code
- Maintain insurance on property and pay current taxes, if any
- No sale without City Council consent

Evaluation



- Does purchaser meet Code provision?
 - Yes, 501(3)(c)
- Is public purpose served?
 - Yes, fulfills need in food desert area
 - Serves homeless / low income population
 - Subject to development agreement and reverter
- Will post-judgment taxes be paid?
 - Yes, \$12,993



Evaluation

- Do County and School District consent?
 - County – Yes, Commissioner Court action Sept. 2012
 - DISD - Action anticipated end of October

Recommendations

- Consider 1502 Pennsylvania transaction
- For future potential requests, additional staff work needed to identify and refine criteria for committee review:
 - Formalize checklist and application
 - Determination of public purpose:
 - Satisfies a Council-identified KFA
 - Applicant's ability to perform:
 - Years in service
 - Success with similar public purpose projects

Possible criteria for similar requests

- Potential positive impact on community at large
- Potential positive impact on adjoining properties
- Appropriate zoning and infrastructure to support the intended use without additional City funds
- Integrity of structure or improvements and extent of mitigation or renovation needed
- Financial capability of entity requesting the property to make necessary improvements
- Impact on tax collection
- Consider redemption period status

Next Steps



- Schedule 1502 Pennsylvania Avenue for Council consideration on November 14, 2012 agenda
- Develop new criteria and procedures for Committee review and approval