

Tax Foreclosure Properties Sale

November 19, 2007





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 real estate 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 does not have input into the identification and selection process

Current Process

- 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
- District Court enters a judgment and orders Sheriff to sell property
- Property can also be encumbered by code liens for demolition, weeds, secure closures, and paving assessment liens

Current Process

- Law firm produces a list of properties to be sold at the Sheriff's sale - 1st Tuesday of each month
- 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 Process

- Sheriff's Bid Process:
 - Property list posted by law firm at 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

- Bid amounts established by the amount of 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 City as the Trustee for disposition
- City can extinguish all liens in the judgment on the property
- 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 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

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 and processing
- Real Estate 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 necessary approvals from City Attorney's Office and other taxing jurisdictions, staff establishes a sale date for properties City Council received notices of proposed sale.
- 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

■ 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

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

Current Process

- Real Estate Services conducts sale by sealed bid process
 1. Bid packet and advertisement contain deadline information
 2. Bids are delivered in sealed envelopes with the property address shown on the envelope
 3. Bids are opened at a specified time and location on day of sale
 4. Bids are read aloud and recorded on a bid sheet and a display board simultaneously for viewing by general public
 5. Bid deposits returned to unsuccessful bidders
 6. Award letters are prepared notifying high bidders of monetary balance due - conditioned upon City Council approval
 7. 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 due

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 (per judgment)	Dallas County Tax Assr
<input type="checkbox"/> Liens (per judgment)	Special Collections
<input type="checkbox"/> Excess Funds	Dallas County Tax Assr

****Order of 3rd 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?