

ABANDONED PROPERTY

House Bill 4346 as enrolled
Second Analysis (8-2-94)

Sponsor: Rep. Walter J. DeLange
House Committee: Taxation
Senate Committee: Finance

THE APPARENT PROBLEM:

One of the criticisms of the state's property tax foreclosure process is that it allows abandoned residential property to sit too long so that rehabilitation becomes impossible. Housing law specialists say it can take five to seven years in the city of Detroit, for example, for the city or a community group to obtain abandoned housing. Meanwhile, they say, vacant and abandoned homes become sites of illegal activity and deteriorate beyond repair. Some knowledgeable people in the field say that there is nothing more important in distressed urban residential areas than dealing with abandoned housing. The longer a house stands vacant, they say, the more likely houses nearby will also become abandoned, leading to the deterioration or devastation of a neighborhood. Housing specialists say that Detroit is demolishing an average of 2,000 housing units per year at a time when there is a shortage of low-cost housing for low-income residents. A proposal has been developed that would accelerate the tax foreclosure process for abandoned housing, so that local units of government and community organizations with special skills in the area of housing can obtain property faster and save it before it is beyond help.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act (MCL 211.57 et al.) to provide an expedited tax foreclosure process for abandoned residential property (and certain other rental properties) in certain communities. It would also permit the conveying of abandoned property by the state to housing-oriented community organizations. The bill would apply only to a county that contains a city with a population of more than 25,000 or a city that has an enterprise zone under the Enterprise Zone Act of 1985. (The eligible counties are said to be Bay, Berrien, Calhoun, Genesee, Ingham, Jackson, Kalamazoo, Kent, Macomb, Midland, Muskegon, Oakland, St. Clair, Saginaw, Washtenaw, and

Wayne.) The foreclosure process would be accelerated by about 30 months (according to tax specialists) in participating cities and townships. The bill contains, in brief, the following features.

* In participating local tax collecting units (i.e., cities and townships), for taxes returned as delinquent after February 28, 1994, the treasurer would deliver a separate tax roll designated as the "certified special residential property tax roll" to the county treasurer, identifying parcels that are abandoned residential property (or eligible rental property) for which the taxes are unpaid as of March 1. (If the local treasurer does not return taxes delinquent, he or she may certify a list of abandoned parcels by March 15, or by April 1 if the list contained 500 parcels or less.)

* Property identified as certified special residential property would go to the May tax sale in the second May after delinquency (rather than the third May). The usual one-year redemption period following the May sale would be shortened to 60 days for abandoned property. The additional six-month redemption period for property bid to the state would not apply to the special residential property. Further, the Department of Treasury would be required to give preference to notification and scheduling of so-called Dow hearings for the special property.

* The term "certified residential property" would be defined to mean a parcel of property that is abandoned residential property or, in a county organized under Public Act 293 of 1966, which regulates charter counties and under which Wayne County is organized, both abandoned residential property and residential rental property. The term "residential rental property" is defined to refer to a parcel containing a structure intended for residential purposes that is not occupied by the owner, is classified as residential or commercial (excluding

agricultural property), and is also registered or licensed pursuant to a local ordinance (or is required to be). Property would not be considered residential rental property unless it is located in a local tax collecting unit that adopts an ordinance providing for assistance to tenants of property sold under the bill and designated as special residential property under the bill.

* A local tax collecting unit or a county could file an application with the DNR requesting that special residential property be conveyed to the local unit, the county, or a "designated recipient", a private, non-profit group to which a local unit has given the responsibility for and control of a specific parcel of special residential property. If a county filed such an application, a copy would have to be sent to the local unit, which would have 45 days to file an application certifying that a specific parcel in the county's application was a "designated parcel" (meaning, generally speaking, that it was part of a special program or project underway in the local unit) and requesting that it be conveyed to the local unit. Such an application would automatically supersede the county application. Property would be conveyed by the Department of Natural Resources (DNR) without consideration within 90 days after the expiration of the redemption period upon payment of an administration fee of \$75 for up to five parcels, with \$10 for each additional parcel over five. A local unit or county that received abandoned property could convey it to a designated party for a nominal fee and the conveyance would be considered to be for the public purpose of eliminating neighborhood deterioration and blight.

* To participate in the accelerated foreclosure process, a local tax collecting unit would have to adopt a resolution of general application declaring that nonpayment of property taxes is contributing to neighborhood deterioration and blight. Each taxing unit levying a tax within the collecting unit for whom the county treasurer collects delinquent property taxes, moreover, would have to adopt a resolution of general application waiving the right to receive real property taxes on certified special residential property from the proceeds of delinquent tax revolving fund notes or from the proceeds of any tax sale. These resolutions would continue until revoked but would not be subject to revocation until abandoned property tax rolls had been prepared for three years after adoption of a resolution.

* Generally speaking, property could only be presumed to be abandoned for the purpose of the accelerated foreclosure process if a local tax collecting unit followed procedures for identifying such property found in the bill. The bill requires that there be a personal inspection of property by a representative of the local unit; that a notice be posted on the property at the time of the inspection and a notice be sent by certified mail to each owner and person with a legal interest explaining the nature of the accelerated tax foreclosure process; and that no one claiming a lawful interest claims that the property is not abandoned. The term "abandoned" would be used to refer to property that was "vacant or dilapidated and open to entrance or trespass."

* A "designated party" could become a recipient of abandoned and other special residential property under the bills. To be eligible, an organization would have to have: an exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code; a demonstrated capability for home rehabilitation or community economic development; and a community-based board with 51 percent or more of board members being residents of the tax collecting unit in which the property is located. The organization would have to hold open meetings, maintain records of meetings, and prepare financial reports. Also eligible to be a designated party would be the person or entity given such responsibility under a nuisance abatement ordinance and a county in which an abandoned parcel was located. (A "designated party" becomes a "designated recipient" when an certified special residential property officer of a local unit or county, with the approval of the appropriate governing body, assigns it the right to receive a specific parcel from the DNR.)

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The aim of the bill is to get hold of abandoned property faster so that it can be rehabilitated (or cleared). The tax foreclosure process, which now can take five to seven years in Detroit, would be accelerated to take perhaps 30 months off the total process by which tax delinquent abandoned property can be reclaimed by either a local unit of

government or a community organization with housing development skills. Under the bill, the Department of Natural Resources, the state agency responsible for tax delinquent properties, would have to convey abandoned property rapidly after it receives it. Tax specialists contemplate that abandoned property could be obtained about two years after the taxes on it became delinquent under this proposal. The proposal should work toward combatting the neighborhood deterioration that inevitably accompanies the presence of abandoned and dilapidated housing and toward making more rehabilitated housing available.

Response:

Some people have expressed an interest in seeing legislation of this kind applied to other communities and community groups beyond those included here.