

# Memorandum



CITY OF DALLAS

DATE September 18, 2015

Honorable Members of the Housing Committee: Scott Griggs (Chair)

TO Carolyn Arnold King (Vice Chair), Mayor Pro Tem Monica R. Alonzo, Mark Clayton, Casey Thomas, II, and Tiffinni A. Young

SUBJECT **Tax Foreclosed Properties**

On Monday, September 21, 2015, you will be briefed on the process for sales of Tax Foreclosed Properties that are held by the City as trustee for other taxing entities. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to read 'Ry - S. E'.

Ryan S. Evans  
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council  
A.C. Gonzalez, City Manager  
Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor & Council

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# Tax Foreclosed Properties

Housing Committee  
September 21, 2015



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# Current Procedure

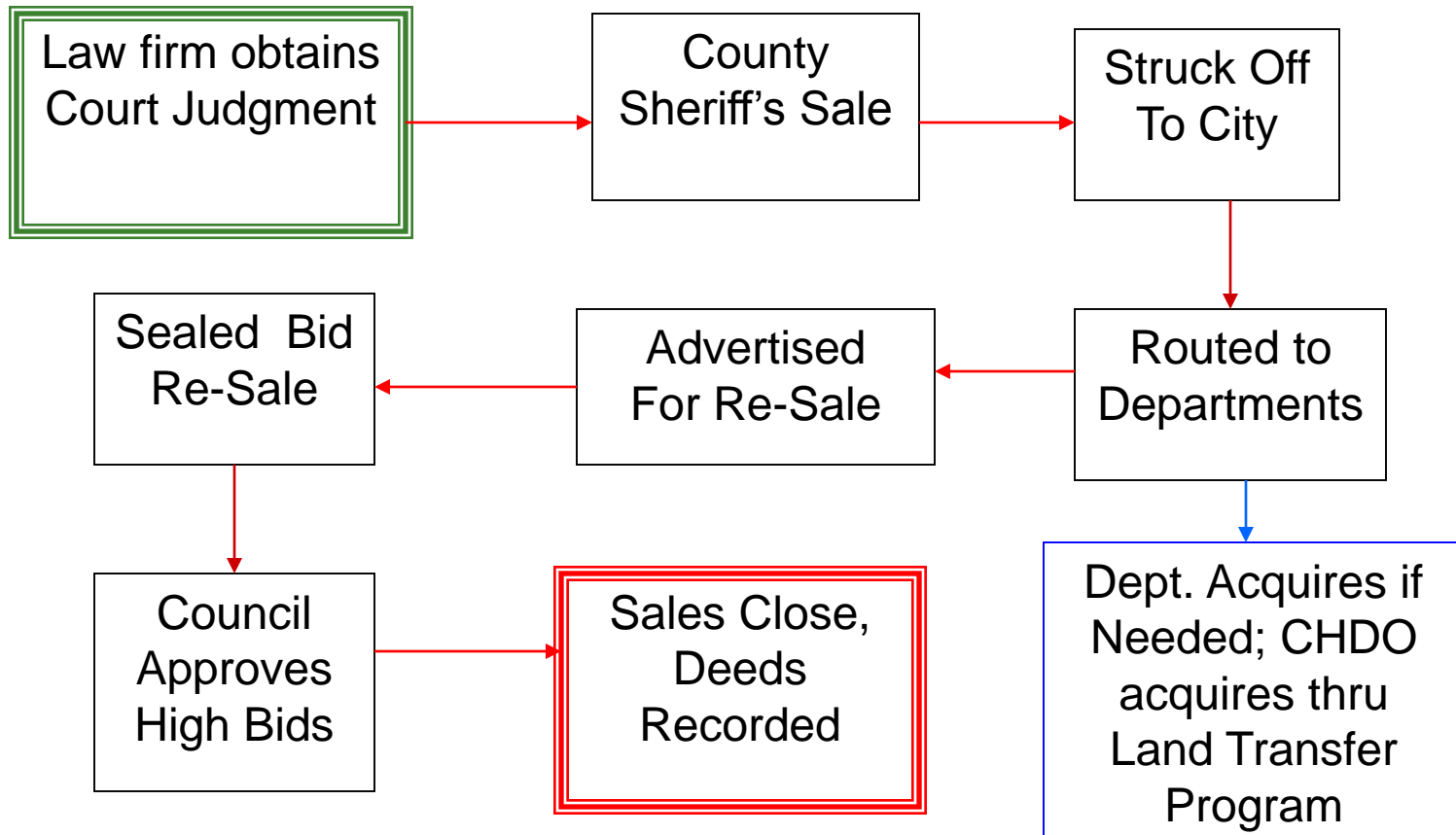
- Review the current procedures and policies of the tax foreclosure sale process

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# Objectives of Tax Resale Process

- Return property promptly to tax rolls
- Facilitate development of vacant property in blighted areas
- Facilitate purchase by qualified charitable or religious organizations and individuals for:
  - Rehabilitation
  - Urban development
  - Affordable housing

# Flow Chart of Current Process



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# Current Procedures

- Dallas County contracts with Law Firm, Linebarger, Goggan, Blair & Sampson, LLP to foreclose on tax delinquent properties
- Delinquent tax rolls submitted to law firm for collection activities
- Criteria for selection include, among other things:
  - Amount of delinquency
  - Length of delinquency
- Law firm files lawsuit for delinquent taxes and other unpaid taxing authority liens against the property on behalf of Dallas County, DISD or other respective school district

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# Current Procedure

- District Court enters a judgment and orders Sheriff to sell property
- 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 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

- Properties not sold at Sheriff's sale are struck off to the City as Trustee for disposition
  - Average of 30 properties struck off to Trustee (City) from Sheriff's Sale each month
- Acting as the trustee, the City obtains approval from other taxing authorities (Dallas County and DISD) to sell properties and initiates process of disposition
- Real Estate Services routes list of properties to Departments and outside agencies, including, but not limited 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
  - Code Compliance to add property to its maintenance list and to determine demo-worthiness of structure.



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# Current Procedure

- Real Estate Services notifies prior owner (certified mail)
  - Property under control by City, as Trustee
  - Right of redemption commences as of the date the Sheriff's Deed is recorded
- Schedule resale of properties by sealed bid procedure (Section 272.001 Texas Local Government Code)
- Property due diligence
  - Property is sold “as is”, “where is” and “with all faults”
  - Legal description verified by Real Estate

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# Current Procedure

- Minimum bid established by:
  - Reviewing DCAD market values; and
  - Struck off amounts set out in the Sheriff's deed
  - Smaller residentially-zoned parcels set as low as \$250.
- Place an advertisement in the newspaper
- 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

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# 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 (non-homestead)

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# Current Procedure

- Qualified bids submitted to City Council for authorization
- Buyers responsible for paying post-judgment taxes
  - Taxes, penalties and interest after Judgment years through date of Sheriff's deed to City
- Quitclaim deeds prepared and all outstanding monies are collected and distributed accordingly:
  - Real Estate Services
  - Code Compliance
  - Court Costs
  - Taxes (per judgment)
  - Special Collections - Liens (per judgment)
  - Post Judgment Taxes

# Alternatives to Sealed Bid Procedure

- Non- profit Organization for the Public Use Exception to Sealed Public Bid (Tex. Local Gov. Code Sec.253.011)
  - Direct negotiated sale of land to a Section 501(c)(3) organization if:
    - Requires nonprofit organization to use the property in a manner that primarily promotes a public purpose of the municipality; and
    - Provides for automatic reversion of title to the municipality if non-profit fails at any time to use the property in that manner
  - City Council authorized this alternative to sealed bid procedure for:
    - 1502 Pennsylvania – In the City for Good/St Phillips (use: food pantry)
    - 6906, 6910, and 6918 Canaan Street - CityBuild Community Development Corporation, (use: community garden)

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# Alternatives to Sealed Bid Procedure

- Independent Foundation - Tex. Local Gov. Code Sec. 272.001(b)(4)
  - Direct negotiated sale to an “independent foundation”
  - Pursuant to a contract that would require the foundation to develop the land in accordance with the city’s specification
- Certain Religious Organizations - Tex. Local Gov. Code Sec. 253.010
  - Direct negotiated sale of land to a religious organization that owns other tax exempt property in the municipality, and
  - Has entered into a written agreement with the municipality regarding the revitalization of the land

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# Alternatives to Sealed Bid Procedure

- Public Auction - Tex. Local Gov. Code Sections 253.008 and 272.001
  - Currently use this alternative to Sealed bid procedure for Surplus Property Sales (Developable city- owned property)
  - Council deems property surplus and authorizes its sale by Public Auction
    - Reserves established for certain properties or properties can be sold absolute
  - Properties marketed and auctioned by auctioneer company
  - Staff verifies that only eligible persons are awarded the properties
    - No back taxes or liens owed
    - No code violations

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# Questions