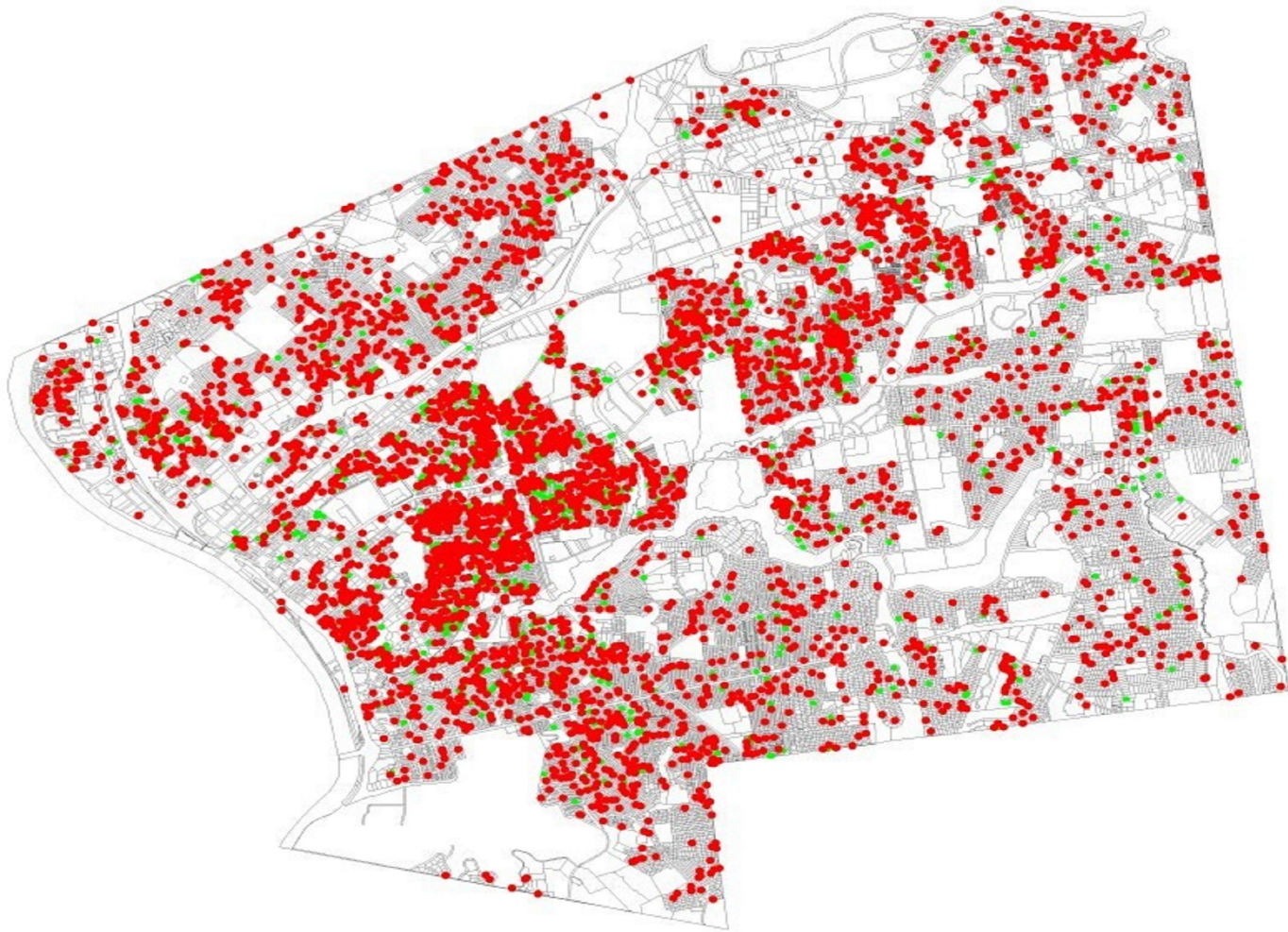

Tax Title Collection: An Asset Management Perspective

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The Problem: 2004

- \$52.6 million in uncollected back taxes
 - \$7.8m accrued interest
 - 7,058 unpaid accounts
 - Tax Title Liens dating back to 1950
 - 193 uncollected liens before 1980
 - 6,865 uncollected liens between 1980-2007
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2004 Tax Delinquent Properties



Results: Finance

2004-2007

- 7,058 open accounts in 2004
 - 4,084 cases resolved to date
 - Total Outstanding
\$52.6 million
 - Amount Collected
\$24.78 million
 - Amount Cancelled
\$2.18 million
 - Amount Outstanding as of 2007
\$32.75 million
-

Results: Real Estate 2004-2007

- 413 Properties currently owned by the City
 - 301 Residential
 - 112 Commercial
 - 42 Successful closings through RFP
 - 17 closings in 2006
 - 22 closings in 2007
 - 9 closings in 2005
 - 56 Properties in agreement
 - 25 through Auction
 - 31 through RFP
 - 281 Properties foreclosed since January 2006
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The Conception

- The Municipality as a geographically based Real Estate Portfolio
 - Real Estate Taxes as “rent” in return for service delivery (Police, Education, etc.)
 - Tax Lien as Mortgage
 - Foreclosure and Resale as asset management
 - Tax collection as municipal Return on Investment
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The Goals

- Reducing blight
 - Strengthening & revitalizing neighborhoods
 - Returning feasible/compliant properties to the tax rolls → Increase Tax Revenue
 - Increasing owner occupancy
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The Method

- Developed Request For Proposal (RFP) for Revenue Collection firm
 - Developed strong relationship with Land Court/Housing Court
 - Outsourced Collection
 - Utilize Auction and RFP
 - RFP allows for greater qualitative control over process
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Legislative Approaches: A Note

- Chapter 169 of the Acts of 2004
 - Sec. 6(b) "...the rights of redemption from tax title of all parcels of real estate for which the tax title is held by the city of Springfield shall be foreclosed by operation of law without the necessity of sale...or of filing a petition to foreclose..."
 - Adopt Chpt. 60 § 62A
 - Binding and Sales of Tax Liens
 - Quality of Liens
 - Bundling conflicts
 - Unlikely to chose bundling & collection
-

Timeline

- Retain Collection Agency 0 - 90 days
 - Due diligence (50 - 180 days)
 - Retain Legal Firms (210 - 225 days)
 - Tax Lien Filing (255 days)
 - Foreclosure Process (255 days)
 - Disposition & RFP (90 days)
 - Auction (45 days)
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The Controls

- Continuous evaluation process via RFP reporting requirements
 - Collection
 - Foreclosure
 - Disposition
 - Incentivize collection of old debt
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Foreclosure: Disposition

- Clear, Concise RFP's
 - Professional Auctioneers
 - Clear knowledge of whether property shall be disposed of through RFP or Auction
 - Performing small tasks to make properties more attractive/saleable
 - Inter-departmental communication
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Foreclosure: Challenges

- Taking ownership of occupied properties
 - Relocation/Evictions
 - Taking ownership of deteriorated & vacant properties
 - Managing properties
 - Costs of being a landlord
 - Remaining sympathetic while limiting loss
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Strategies Learned

- Budget less than 100% of tax revenues
 - DO NOT segregate Legal and Disposition from Collection
 - Select Tax Title Consultant
 - Incentivize collection of old debt
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Strategies Learned

- Requiring purchasers to submit financing information, plans, and cost estimates prior to closing
 - Using Deed Restriction to require owner occupancy and compliance with zoning
 - “Reverter Deed”
 - Research purchasers and eliminate those with past compliance issues and debt to the city.
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