Mayor’s Strike-Off Blight Program

Fast Tracking Tax Foreclosed Dangerous Buildings

Budget and Fiscal Affairs Committee, Tuesday, April 8th 2014
What is a “Strike-Off”?

Tax Foreclosed Properties that do not sell at auction may be “struck-off” to the City to hold in trust for the remaining taxing entities until resold.

- Tex. Tax Code § 34.01

- The City would be responsible for maintenance of properties accepted in strike-off.

- Expenses incurred to bring the property into compliance with health and safety laws can be recovered from proceeds of the resale.

  - Expenses are a first priority cost recovered from the tax sale proceeds before all other costs and taxes.
Why Strike-offs?

- Increase the number of dangerous buildings demolished.
- Improve the City’s ability to recover abatement costs.
- Increase tax revenues by speeding up the process to put foreclosed properties back on the tax roll.
- Reduce burden on code enforcement inspectors.
- Increase economic development in surrounding areas.
- **Reduce blight that impacts the health and safety of communities in Houston!**
Process Flow

Current Strike-Off Process

Tax Delinquent Foreclosed Property → Monthly Tax Sale → Sold? (Costs + Fees) → End → No → Bid-Off to Taxing Entity → Resale 1 Sold? → End → No → Resale 2 Sold? → End

Mayor’s “Strike-Off Blight” Program

Tax Delinquent Foreclosed Property → Monthly Tax Sale → Sold? (Costs + Fees) → End → No → Bid-Off to City → City Demolishes → Resale 1 Sold? → End → No → Resale 2 Sold? → End

GOALS → STRATEGY → PERFORMANCE
Current Demolition Process

4,317
Active Dangerous Building Projects

Administrative Hearing Process

150-200
Annual Demolitions

Data as of Feb 15, 2014
Fast Track: Increasing Demolitions

4,317
Active Dangerous Building Projects

- 2,696 Not Tax Delinquent
- 1,621 Tax Delinquent

498 Suit
303 Judgment
820 In Process

Potential to more than double the City’s demolition output

Administrative Hearing Process

150-200 Annual Demolitions

Tax Foreclosure Sale

150-200 Annual Demolitions

Data as of Feb 15, 2014
Proven Results: Increased Cost Recovery

2011 & 2013 – City Council authorized the acceptance and resale of 42 properties through strike-off.

<table>
<thead>
<tr>
<th>Results</th>
<th>Strike-Off</th>
<th>Otherwise (Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Demolition Costs (Demolition and maintenance costs)</td>
<td>$310,195</td>
<td>$310,195</td>
</tr>
<tr>
<td>Revenues from Lien Recovery (Sale Proceeds towards abatement lien)</td>
<td>$123,887</td>
<td>$2,482 (at .8% historical rate)</td>
</tr>
<tr>
<td>Net Costs (Total Demolition Costs less Revenues from lien recovery)</td>
<td>$186,307</td>
<td>$307,713</td>
</tr>
<tr>
<td>Cost Recovery Rate (Sale proceeds net of abatement costs)</td>
<td>40%</td>
<td>.8% (historical collection rate)</td>
</tr>
</tbody>
</table>

Cost Avoidance due to Strike-off
(Difference between net costs after lien recovery rate)

$121,406

More Efficient Use of Funds = More Dangerous Buildings Demolished
Implementation

- Executive Order establishes protocol for accepting properties in Strike-off
  - Department of Neighborhoods, Finance and Legal review each property prior to acceptance
    - Determine strategic cost/benefit of taking the property
    - Evaluate our ability to maintain the existing inventory of properties in trust
    - Ensure appropriate funding for demolition and maintenance costs
    - Ensure compliance with all health and safety laws
- Initial focus on single family properties
  - Possible targeted commercial and multifamily in the future
  - Not likely to accept environmentally hazardous properties
- Develop marketing plan to encourage redevelopment
Implementation

- **Request for Council Action: Universal Resale Resolution**
  - **Resolution 2013-035** - City Council authorized the resale of specific properties accepted in strike-off on the City’s behalf.
  - April 16\(^{th}\), 2014: Council will be asked to authorize the City to resell any properties accepted by the City in strike-off pursuant to Tex. Tax Code § 34.05(c).
    - Enable the Administration to use Strike-offs as a tool for increasing demolitions through a more efficient use of funds.
    - Reduced likelihood of City being unable to resale property.
Dangerous Buildings

Open and Active Dangerous Buildings

Post-Judgement Tax Delinquent Dangerous Buildings

4,217

303
Funds Available

<table>
<thead>
<tr>
<th>Current Source of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dangerous Building Fund (FY13 Certificate of Obligation)</td>
<td>$1.2M</td>
</tr>
<tr>
<td>Dangerous Building Fund (FY14 Certificate of Obligation approved 3/26/2014)</td>
<td>$3.0M</td>
</tr>
<tr>
<td>TIRZ Affordable Housing Fund (Fund 2409)</td>
<td>$500K</td>
</tr>
<tr>
<td><strong>TOTAL FUNDS AVAILABLE (as of 3/26/2014)</strong></td>
<td><strong>$4.7M</strong></td>
</tr>
</tbody>
</table>

Average Cost to Demolish Single Family Dwelling = $10K
Questions?