



Mayor's Strike-Off Blight Program

Fast Tracking Tax Foreclosed Dangerous Buildings

Budget and Fiscal Affairs Committee, Tuesday, April 8th 2014



GOALS → STRATEGY → PERFORMANCE

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.



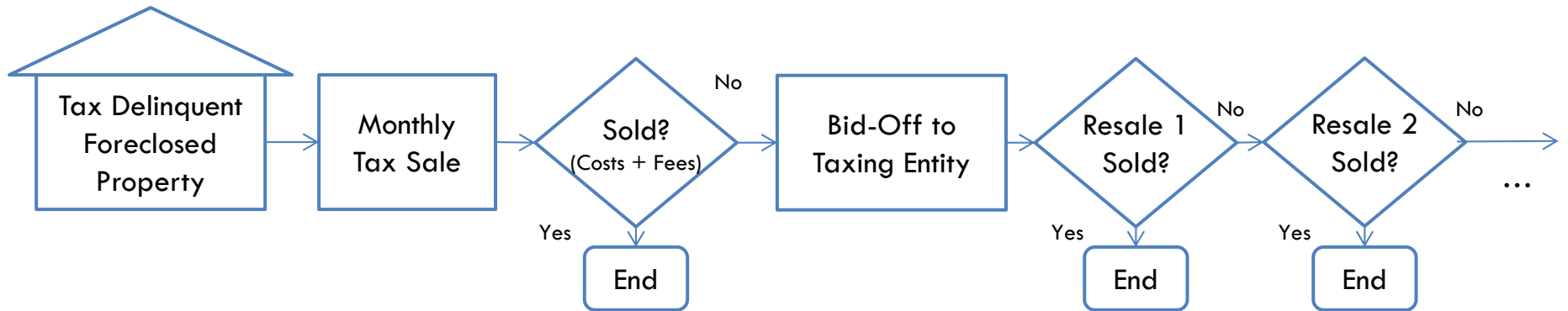
Why Strike-offs?

- 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!**

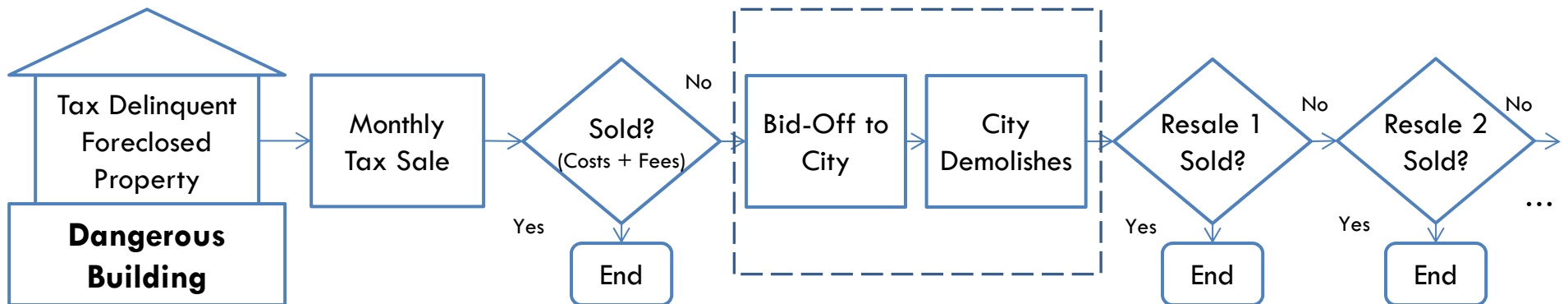


Process Flow

Current Strike-Off Process



Mayor's "Strike-Off Blight" Program



Current Demolition Process

4,317

Active Dangerous Building Projects



Administrative Hearing Process

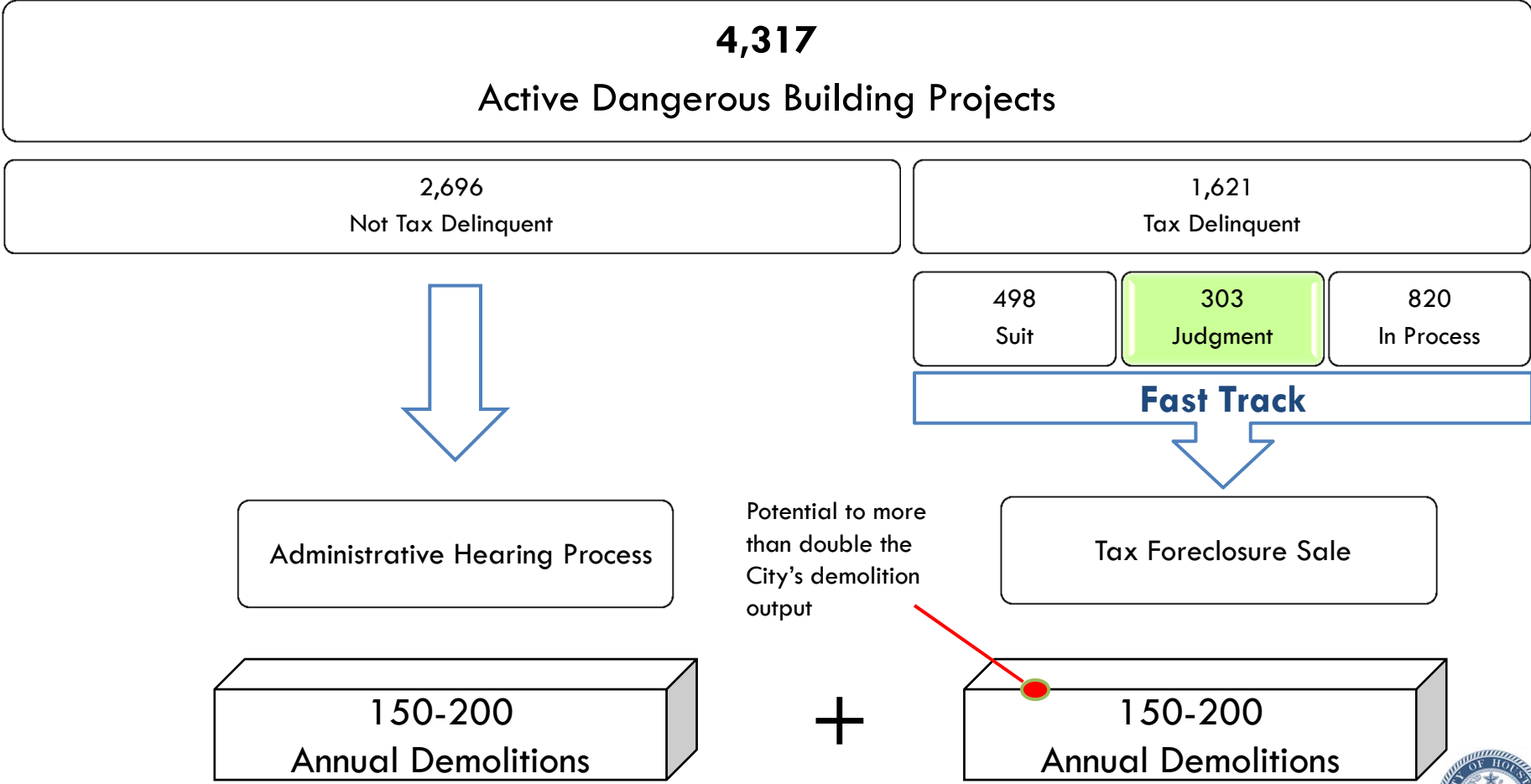
150-200
Annual Demolitions

Data as of Feb 15, 2014

GOALS → **STRATEGY** → **PERFORMANCE**



Fast Track: Increasing 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.

Results:

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

Cost Avoidance due to Strike-off = **\$121,406**
 (Difference between net costs after lien recovery rate)

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



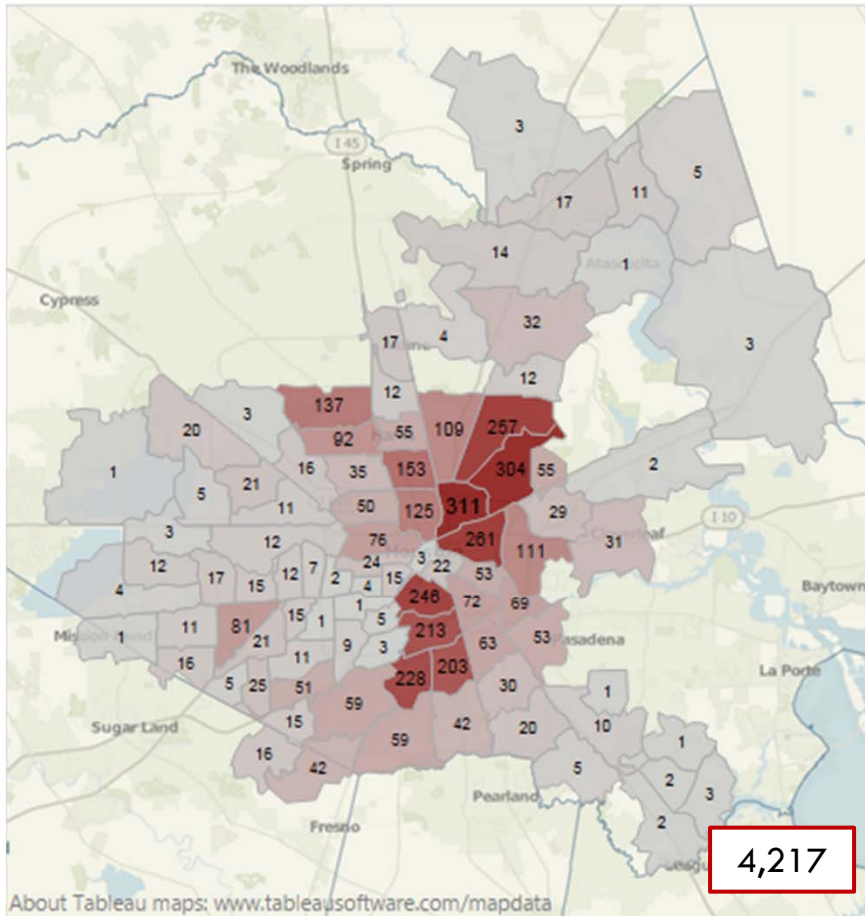
Implementation

- **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 16th, 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.

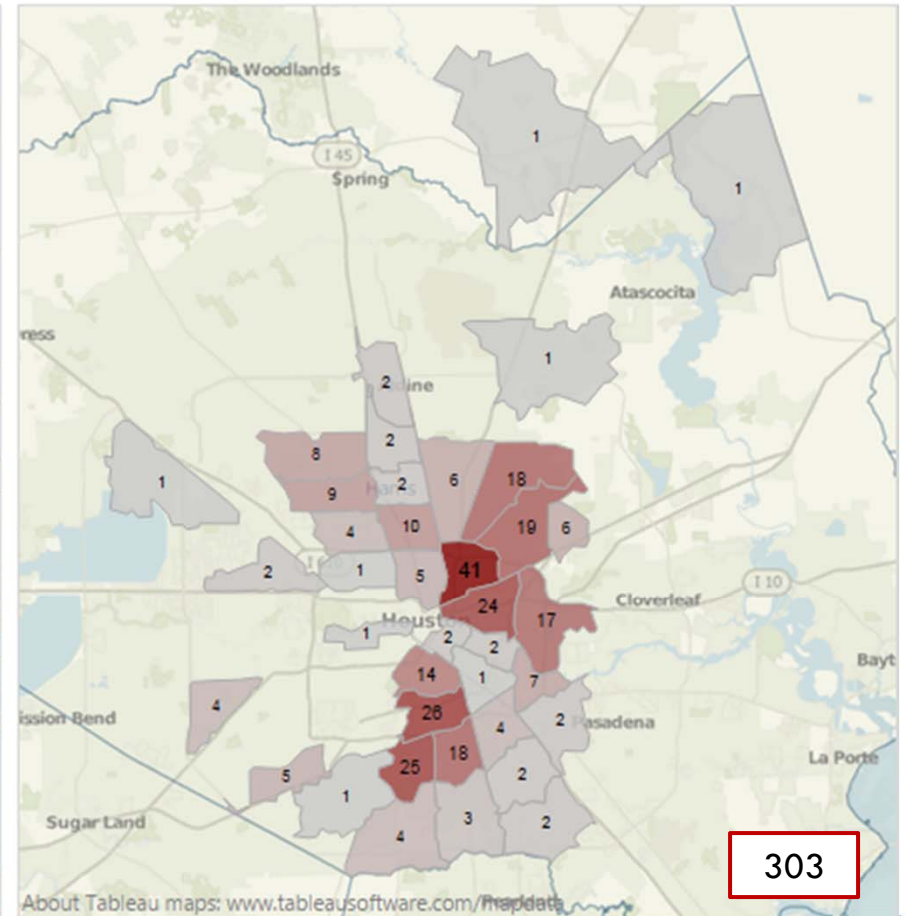


Dangerous Buildings

Open and Active Dangerous Buildings



Post-Judgement Tax Delinquent Dangerous Buildings



Funds Available

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

Average Cost to Demolish Single Family Dwelling = \$10K



Questions?

