

1. **In rem filings increased to four times a year:** In 2011, the City Treasurer will increase the number of regular in rem filings to four per year. This change will allow the Treasurer to spread the workload over several files, instead of processing one large batch per year. The number of annual filings has increased steadily in the past few years, due to the ongoing foreclosure crisis. The City Treasurer filed in rem proceedings against 816 properties in 2009, 979 in 2010, and will file against approximately 1,500 properties in 2011, plus an additional 100 to 200 expedited filings.

2. **Accelerated in rem filings:** The Proposed Budget includes funding for 100 to 200 filings against properties that the Common Council and City departments identify as the most critical to blight prevention and redevelopment objectives. Expedited foreclosure is intended to prevent the deterioration of the properties, minimize the blight on the neighborhood, and redevelop and return the properties to occupancy at the earliest possible time. DNS, DCD and the local Council member will identify tax-delinquent properties that are vacant or abandoned, and refer these properties to the Treasurer and City Attorney for in rem foreclosure proceedings at the earliest lawful time following tax delinquency.

3. **In rem redemption rates down near 50%:** Historically, properties with in rem proceedings have been redeemed by their owners at a rate of nearly 75%, leaving the City to acquire just 25% of the

properties in a filing. The redemption rate has decreased in the past several years to nearly 50%, doubling the rate at which the City is acquiring these properties. This negative trend of acquisition rates, combined with the increased number of tax-delinquent properties, is resulting in a large increase of properties acquired by the City. A redemption rate of 50%, combined with a planned 1,700 in rem foreclosure proceedings in 2011, could result in the acquisition of 850 additional properties.

Category	2009 Actual	2010 Budget	% Change	2011 Proposed	% Change
Total Expenditures	\$2,967,640	\$2,951,830	-0.5%	\$3,241,414	+9.8%
Positions	58	59	+1.7%	60	+1.7%
FTE's (all)	30.25	28.25	-6.6%	30.8	+9.0%

The stated mission of the City Treasurer is to receive and account for all monies paid to the City, make disbursements vouchered for payment by the Comptroller, invest City funds that are not needed to meet current expenditures, collect current property taxes and delinquencies for all six tax levies within the City, settle property tax collections on a prorated basis and remit to each taxing jurisdiction their share of the monies collected..

2011 Proposed Budget: The Proposed Budget for the City Treasurer's Office is \$3,241,414, an increase of 9.8% from the 2010 budgeted amount of \$2,951,830. This increase is due to an increase to four in rem filings in 2011, expedited in rem proceedings against 100 to 200 properties, additional costs associated with in rem filings involving a deceased property owner, and increased overtime due to holiday scheduling. One position of Tax Enforcement Specialist and a total of 2.55 FTEs are added in the Proposed Budget.

Increase to Four In Rem Filings in 2011: The Proposed Budget includes funding for four in rem filings in 2011. A resolution establishing this process has been submitted with the proposed budget. The City Treasurer has previously processed one large in rem file per year, though it is not unusual for one to two smaller filings to occur later in a year. In 2010, there was one main in rem filing in the spring, a second filing to account for changes in the process regarding deceased property owners and a third filing targeted at a few property owners that attempt to use serial bankruptcy filings to avoid in rem foreclosure.

In 2011, the City Treasurer will increase the number of regular in rem filings to four per year. This change will allow the Treasurer to spread the work load over several files, instead of processing one large batch per year. The number of annual filings has increased steadily in the past few years, due to the ongoing foreclosure crisis. The City Treasurer filed in rem proceedings against 816 properties in 2009, 979 in 2010, and will file against approximately 1,500 properties in 2011, plus an additional 100 to 200 expedited filings. In rem files are planned for March, June, September and November of 2011, though the schedule could change.

The change to four in rem filings will present some challenges to the City Treasurer's Office. Each property in the file produces a significant amount of paperwork. As the documentation maintained by the Treasurer's Office is often required for the legal proceedings, careful and accurate filing is required. The Treasurer's Office often answers questions from those in the tax collection process. Additional care will need to be exercised to identify where in the process a particular property is, as it could be in one of four files instead of just the one file in past years. A total of 2.55 FTEs are added in 2011 to support this process, including a new Tax Enforcement Specialist position, two part-time Customer Service Representative II positions, and an increase in temporary Customer Service Representative I staff. The total cost for the Treasurer to file in rem proceeding against 1,500 tax-delinquent properties from the 2008 tax levy through four filings, and expedite an additional 200 tax-delinquent properties, is \$229,000, with \$114,000 funded in the operating budget and \$115,000 funded through the NSP 3 grant.

Expedited In Rem Foreclosure: Common Council File Number 091517, adopted April 13, 2010, provides for expedited in rem foreclosure action against tax-delinquent vacant or abandoned residential properties. Expedited foreclosure is intended to prevent the deterioration of the properties, minimize the blight on the neighborhood, and redevelop and return the properties to occupancy at the earliest possible time. DNS, DCD and the local Council member will identify tax-delinquent properties that are vacant or abandoned, and refer these properties to the Treasurer and City Attorney for in rem foreclosure proceedings at the earliest lawful time following tax delinquency. Criteria for identifying properties eligible for expedited in rem proceedings are established both in File Number 091517 and a resolution submitted with the proposed budget.

The Proposed Budget includes funding for 100 to 200 filings against properties that the Common Council and City departments identify as the most critical to blight prevention and redevelopment objectives. The additional cost for these proceedings is included in the \$229,000 discussed in the previous section. The expediting of some properties could also have a negative effect on Delinquent Tax Fund revenues. This fund has traditionally broken even, but properties acquired by the City earlier than the normal three-year period will represent two years less of property tax interest and fines and could eventually result in a shortfall in the fund.

Increased Number of Properties Acquired Through In Rem Foreclosure: Increasing numbers of in rem foreclosures will result in a larger inventory of City-owned properties. Historically, properties within an in rem proceeding have been redeemed by their owners at a rate of nearly 75%, leaving the City to acquire just 25% of the properties in a filing. The redemption rate has decreased in the past several years to near 50%,

doubling the rate at which the City is acquiring these properties. This negative trend of acquisition rates, combined with the increased number of tax-delinquent properties, is resulting in a large increase of properties acquired by the City. A redemption rate of 50%, combined with a planned 1,700 in rem foreclosure proceedings in 2011, could result in the acquisition of 850 additional properties.

Levy Year	Filed Against	Redemption Rate	Parcels Acquired
2003	389	61.7%	149
2004	413	56.4%	180
2005	598	56.0%	263
2006	417	61.6%	160
2007	385	59.7%	155
2008	508	63.8%	184
2009	816	51.2%	398
2010	979	51.0%	480

The increasing number of acquired properties will result in increased foreclosure-related costs in other City departments. The 2011 proposed budget includes additional funding of \$150,000 to DCD for Land Management, including \$100,000 in the special purpose account and \$50,000 from CDBG; an increase to DNS for demolition funded through NSP 3, and a \$50,000 increase to DPW for vacant lot maintenance funded through NSP 3. In addition, the 2011 proposed capital budget includes \$300,000 in the Housing Infrastructure Preservation Fund to stabilize the condition of neighborhood properties that are priority candidates for significant restoration or rehabilitation.

Increased Cost of In Rem Filings Involving a Deceased Property Owner: The City Treasurer filed a second in rem file in 2010 to comply with court rules regarding the processing of deceased property owners. Any in rem proceedings against a deceased individual will require additional costs to the City. These costs are

reflected in an increase to the City Treasurer's budgeted professional services, from \$3,000 in 2010 to \$18,380 in the Proposed Budget. The increased costs are due to fees for a special administrator at probate court and to provide supporting documents including birth and death certificates.

Increased Overtime Costs: The Proposed Budget includes an increase in overtime pay for the City Treasurer's Office of \$15,265 over the 2010 adopted amount. This increase is due mainly to the scheduling of holidays during the December tax season. The City Treasurer's Office will be open on December 27 and 31, 2010 for tax collection purposes. Both of these days are in Pay Period 1 of the 2011 budget year and both are City holidays. Likewise, the City Treasurer's Office will be open on December 23, 2011, which is also a City holiday. The City Treasurer stays open on these days to accommodate the collection of property taxes before the end of the year, which is required if a property owner plans to claim the taxes paid on their 2010 tax return.

Capital Projects

The 2011 Proposed Budget does not include any capital funding for the City Treasurer.

Issues to Consider

- o A redemption rate of 50%, combined with a planned 1,700 in rem foreclosure proceedings in 2011, could result in the acquisition of 850 additional properties. Combined with the 480 properties acquired in 2010, the City is acquiring property at a much faster rate than it can dispose of them. The increasing number

of acquired properties is resulting in increased foreclosure-related costs to several City departments and this trend does not appear to be slowing. The acquisition, management and disposal of tax-delinquent properties will be a major challenge facing the City for many years to come.

- o The Proposed Budget includes funding for 100 to 200 filings against properties that the Common Council and City departments identify as the most critical to blight prevention and redevelopment objectives. Expedited foreclosure is intended to prevent the deterioration of the properties, minimize the blight on the neighborhood, and redevelop and return the properties to occupancy at the earliest possible time. DNS, DCD and the local Council member will identify tax-delinquent properties that are vacant or abandoned, and refer these properties to the City Treasurer and City Attorney for in rem foreclosure proceedings at the earliest lawful time following tax delinquency. It will be important that the established criteria for expedited foreclosure are followed to protect the City from any non-uniform enforcement claims.