

Reply to Common Council File No. 121802 and 121803  
From DOA-Budget and Management Division

July 12, 2013

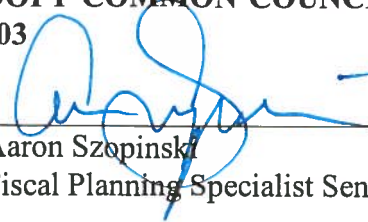
Ref: 13010

Common Council Files Numbers 121802 and 121803 provide for a simple change to city property tax and special charge collections that should have a significant impact on the city's volume of tax foreclosed properties, and increase overall collection rates. Together, these files create an allowance for installment payments on special charges placed on the tax bill, in the same manner as property taxes. They also increase the third party collection timeline and will allow the city to begin using tax refund intercept to recover delinquent property taxes.

Excepting delinquent Water charges, special charges on the tax bill are currently due *in full*, along with the initial property tax installment on January 31<sup>st</sup>. Since special charges are included on the tax bill, they are subject to the same enforcement and penalties as property taxes. This means there is no payment plan, negotiated settlement, nor potential for forgiveness for the amounts once they are on the tax bill. For low-income and fixed-income homeowners, these charges may sometimes be multiples of their tax bill, and interest accrues monthly on *any* delinquent balance. Thus, special charges may "tip" an owner-occupant into tax delinquency and eventually foreclosure.

At least 40% of residential properties foreclosed by the city for delinquent taxes in recent years have been owner-occupied. These properties are heavily concentrated in economically stressed areas of the city and foreclosures undermine those neighborhoods, as well as generate disproportionate costs for the city. The Administration believes that changing payment provisions for special charges will benefit both city revenue collections and avoid eventual tax foreclosure in many cases.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILES NUMBER  
121802 AND NUMBER 121803**



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