Missed Opportunity: How the Sale of Tax Liens Contributes to Neighborhood Decline
About us

Center for Community Progress

• The only national nonprofit focused on building a future in which entrenched, systemic blight and vacancy no longer exist.

• Serve communities through technical assistance, education and training, policy, and research. Focus on systems-level change.

• Snapshot of our work: In 2015, fielded 250 technical assistance inquiries, supported policy and programmatic change in dozens of communities and states, reached 5,500 through trainings & presentations, distributed 1000s of publications
Panelists

**Andrew W. Kahrl**  
Assistant Professor of History and African-American Studies  
University of Virginia

**Christopher Norman**  
Executive Director, Fulton County/City of Atlanta Land Bank Authority, Inc.

**Jelani Karamoko**  
Executive Director, Wayne County Land Bank

*Moderator: Matthew Kreis,* Assistant General Counsel for National Initiatives, Center for Community Progress
Tax Lien Sales: Stats

- 29 States, Washington DC, Puerto Rico, and the US Virgin Islands authorize the sale of unpaid taxes to third parties.

- 30% of total local government revenue comes from property taxes.
Themes

- Historical Context

- Practicing in a jurisdiction that sells tax liens to investors

- Practicing in a jurisdiction that does **not** sell tax liens to investors
Historical Context

Andrew W. Kahrl
Assistant Professor of History and African American Studies
University of Virginia
Unconscionable, But Legal:
Predatory Tax Buying in Urban America

Wall Street quietly creates a new way to profit from homeowner distress

Large bank, hedge fund bundle small tax debts into private investments

By Fred Schulte  •  email  11:00 am, December 9, 2010  Updated: 12:19 pm, May 19, 2011

Auctions allow private investors to acquire rights to collect overdue property taxes, levy escalating fees on homeowners, and foreclose on those who do not pay. Some auctions, like this one in Washington, D.C., take place in person. Others occur online, where bidders can buy property tax liens by the thousands. Emma Schwartz/The Huffington Post Investigative Fund
Correspondence

Cold, Cold Ground

SIR: Your readers might be interested in knowing that there is a practice and custom in the South of depriving Negroes of their property through subterfuge. In many communities of the South, Negroes own property which becomes enhanced in value by either a real-estate development or expansion of business areas.

In many cases Negro property owners refuse to sell their property for low prices and in other cases they are not requested to sell.

But through cooperation with local tax officials, the Negroes owning the property are not sent tax bills on their property. The owners, most of whom are unfamiliar with legal procedure, believe that they have to get a tax bill before they can be held liable for taxes.

When they do not receive those tax bills they do not pay their taxes. Others inquire about the tax bills and are either not given any information or are put off with the statement that “everything is all right.”

When the taxes are past due and are in arrears for the statutory period, the property is quietly sold at a tax sale without notice to the owners. The Negroes are not notified until after the statutory period of redemption has passed. They are then forced to leave the property.

This method is almost completely within the letter of the law although it violates the spirit of the law. Statutes differ in the several states. The Negro owners seldom consult a lawyer until after the period of redemption has passed after which time they are without legal redress.

THURGOOD MARSHALL,
Special Counsel, NAACP

New York City

Sitting on Defense

SIR: The symposium on “A National Policy for Defense” published in your July 1 issue, in spite of the galaxy of able writers, seemed in the face of the real issue now uppermost in many minds mere shadow boxing. All of these writers seem to agree that the defeat of Britain without much more aid than she is now getting is probable and that such a defeat will have cataclysmic effects on the United States. But, nevertheless, they proceed calmly to discuss what we can do to defend ourselves after the British navy, as our only solid ramparts of defense in both the Atlantic and Pacific, has been destroyed without once raising the obvious question: Would immediate military aid to Britain prevent her defeat and capitulation to the Axis Powers and would such aid be the least costly and least risky policy?

It is evident from reading the several articles either that their authors felt the restraint of editorial policy which limited their discussion to measures of defense short of involvement in the present war or that they are still obsessed with the hope of “peace for our time,” provided we make elaborate enough preparation for defense and otherwise mind our own business. At any rate they must be credited with sufficient understanding of the present situation to realize that what we would defend, Geo
Bureaucratic Racism: Discriminatory Tax Assessments

**Left:** white-owned home in Edwards, Miss. 1967 assessment: $1,000

**Right:** black-owned home in Edwards, Miss. 1967 assessment: $1,000*
(*1966 assessment: $500)
Tax Financing during the Great Depression
Attorney Allan Blair, one of the most notorious tax buyers in 1960s and 70s Chicago, specialized in acquiring deeds to tax delinquent homes.
1969 Cook County Tax Delinquency Sale
DRG Inc.: petitioned for 175 tax deeds

1975 Cook County Tax Delinquency Sale
DRG Inc.: acquired 4,688 liens on general taxes and 1,282 on special assessments
Tricks of the Trade

1. Paying additional taxes on tax delinquent property
2. Buying taxes on property slated for slum clearance/urban renewal
3. Re-selling tax delinquent properties “on contract”

Chicago Tribune, March 5, 1975
Victims of Predatory Tax Buying

1969
Veronica Micetich
83 years old
Home value: $10,000
Tax bill: $3,000

1972
Lillian Ware
58 years old
Home value: $18,750/
Tax bill: $59

1974--Emily Sisko, 74 years old, Home value: $12,000, Tax bill: $118
Race and Property Assessments

Cook County, IL (1970)

Black Neighborhoods (Overassessment %)
- Chatham/Avalon: 35%
- West Englewood: 50%
- South Shore: 80%
- Austin: 70%
- Central Evanston: 50%
- North Lawndale: 100%

White Neighborhoods (Underassessment %)
- Hometown: -27%
- Bridgeport: -50%
- Marquette Park: -25%
- Portage Park: -26%
- Sauganash/Edgebrook: -30%
- Lincolnwood: -27%
Arrested Development: Negotiated Bulk Sales
Challenges Where Tax Liens Sold to Investors

Christopher Norman
Executive Director
Fulton County/City of Atlanta Land Bank Authority, Inc.
Comprehensive Chronic Distressed Property Strategy
prepared by
Fulton/Atlanta Land Bank Authority, Inc.
(Applicable to Strategic Development Area or City Wide)
As of March 10, 2015

“Bad” Property Status
- Tax Delinquent** > 12 months
- REO Foreclosed
- Code Violations/Blighted
- Criminal Activity

**Assumes all tax liens held by Tax Commissioner

Conveyance Action Options
- Voluntary Donation
- Judicial In-Rem Tax Foreclosure
- Market Negotiated Purchase
- Property Seizure

Coordinating Entity
- LBA
- Tax Commissioner/LBA
- LBA
- Code Enforcement/Solicitor’s Office/Revenue Office
- Solicitor’s Office/DA/US Attorney

Required Resources
- Acquisition Funds
- Property Management Funds
- Staff/Personnel Support
- Demolition Funds
- Funds for legal costs (closings, title, filings, etc.)
- Funds for Judicial Tax Foreclosure Proceedings
- Property Insurance

Disposition Options
- Application
- RFP
- Auction

“Good” and Productive Property
Challenges Where Tax Lien is Not Sold to Investors

Jelani Karamoko
Executive Director
Wayne County Land Bank