

City of Petersburg VIRGINIA

Comprehensive Approach to Eradicate and Prevent Blight



Aretha Ferrell-Benavides, City Manager

Prepared by: Office of Billing & Collections, Department of Finance



Approach

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Judicial Sales
What is it?

Judicial Sales
Delinquent Real
Estate Portfolio

Judicial Sales
Program Goals

Judicial Sales
Policy

Judicial Sales
High Level Process

Judicial Sales
Payment Plan/
Hardship App

Judicial Sales
Council Adoption
of Policy (Process)

Judicial Sales
Frequently Asked
Questions (FAQ)

What's Next?

City Departments have embarked on a collaborative approach to address and prevent blight through an increase Judicial Sales, heighten Property Maintenance & Code Enforcement activities, aggressively pursuing Real Estate Sales, and implementing practical Zoning techniques.





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What's Next?

What is a Judicial Sale?

- A forced sale of property authorized or required by a court of law in order to satisfy a debt
- The transfer of title to and possession of a debtor's property to another in exchange for a price determined in proceedings that are conducted under a **judgment** or an order of court by an officer duly appointed and commissioned to do so.



How did we get here?

- Real Estate Tax delinquencies

Why Now? Why Real Estate?

- Real Estate is our single largest source of revenue (est at \$23 million)
- Real Estate is more than 4 times the next largest source of revenue (excluding State and Federal aid)



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Goals for FY20 Forward

Program Goals



- Increase Revenue/Decrease Delinquency through:
 - Aggressive 3rd Party Collection actions
 - Judicial Tax Sales
- Improve Property Owner Management by:
 - Inventorying and tracking accounts held by 3rd party collection agencies & others
 - Inventorying and tracking properties eligible for Judicial Tax Sale
- Create an institutional roadmap by
 - Obtaining, organizing, and storing all historical data
 - Developing, adopting, and implementing a Judicial Tax Sale Policy



Judicial Sales

Judicial Real Estate Sale Policy



Effective date: October 1, 2019

Real Estate Judicial Sale Policy

Property Eligibility

Tax parcels are eligible for judicial sale in most cases when "any taxes on such real estate are delinquent on December 31 following the first anniversary of the date on which such taxes become due." (See Code of Virginia §§58.1-3965 and 3965.1, and Petersburg City Code Section 106-65)

General Steps of the Judicial Sale Process

Depending on the property, the judicial sale process can take several months to approximately 18 months. The owner of the property can redeem the property at any time during the process prior to the sale by paying all taxes, penalties, interest and costs. The judicial sale process involves the following:

- At least 30 days prior to any action, a notice must be sent to the last known address of each property owner and in some circumstances, to the address of the property itself
- At least 30 days prior to filing a suit in Circuit Court, a list of properties planned for judicial sale must be published at least once by newspaper. (At a later date, another notice is published in the newspaper announcing the public sale of the property)
- Suit is filed in the Circuit Court against the owners to have the property sold at a judicial sale
- Once the Court determines that the sale is warranted, a special commissioner of sale is appointed by the Circuit Court
- The special commissioner of sale, at his discretion, may obtain offers through a private bid, through a public auction or list the property with a real estate agent
- Once the special commissioner of sale has completed the bid process, reports are filed, and a hearing is scheduled with the Circuit Court to ask the Court to approve the offer
- If the sale is confirmed by the Circuit Court, the Court directs the special commissioner of sale to complete the sale by collecting the purchase price, preparing and executing the deed and by preparing a report accounting for all sale proceeds and disbursements
- The special commissioner then distributes the proceeds in order of priority, as approved by the Court, and makes a final accounting to the Court. The proceeds are distributed as follows in order of priority:
 - Costs of the suit, including attorney's fees
 - Payment of all delinquent real estate taxes and pro rata share of current taxes
 - Payment to any lien creditors (e.g. mortgage creditors, judgment lien creditors, state or federal tax liens) in their order of priority as determined by law
 - The court shall distribute remaining proceeds in accordance with the law



Internal Procedural Steps

- Annually a 30-day Demand Letter of Notification sent to all property owners of delinquent real estate on or before Aug 15th
- A one-time \$30 Admin Fee applied to all delinquent accounts
- Penalty and monthly interest applied

Payment Plan Requirements

Hardship application must be completed in full and submitted to Billing & Collections for pre-qualification prior to recommendation for City Council action.

- ✓ Currently not with 3rd Party Collection Agency
- ✓ \$5000 minimum
- ✓ 50% down payment
- ✓ 24 months maximum for all Payment Plans

All payment plans will be considered only by submittal of the hardship application and must be approved by City Council with deliberation and action at public meeting. Approval is based on the discretion of City Council which may consider whether the subject property is owner occupied, taxpayer history, ability to pay, and other factors.

Account Escalation for Legal Actions

- During the month of January following the first December 31st anniversary of the date on which past-due real estate taxes first become due, City staff will send the past-due accounts to a 3rd Party agency and will send a Letter of Notification to property owners notifying them the delinquent accounts have been turned over for collections and legal action
- All collection efforts may be conducted by a 3rd party agency
- 3rd party agencies shall be required to execute the full judicial sale process and conduct a minimum of 2 tax sales annually on behalf of the City of Petersburg

Remaining unpaid tax balances after a sale shall be collected through the 3rd party agency (See Virginia Code Sections 8.01-98 and 58.1-3940).

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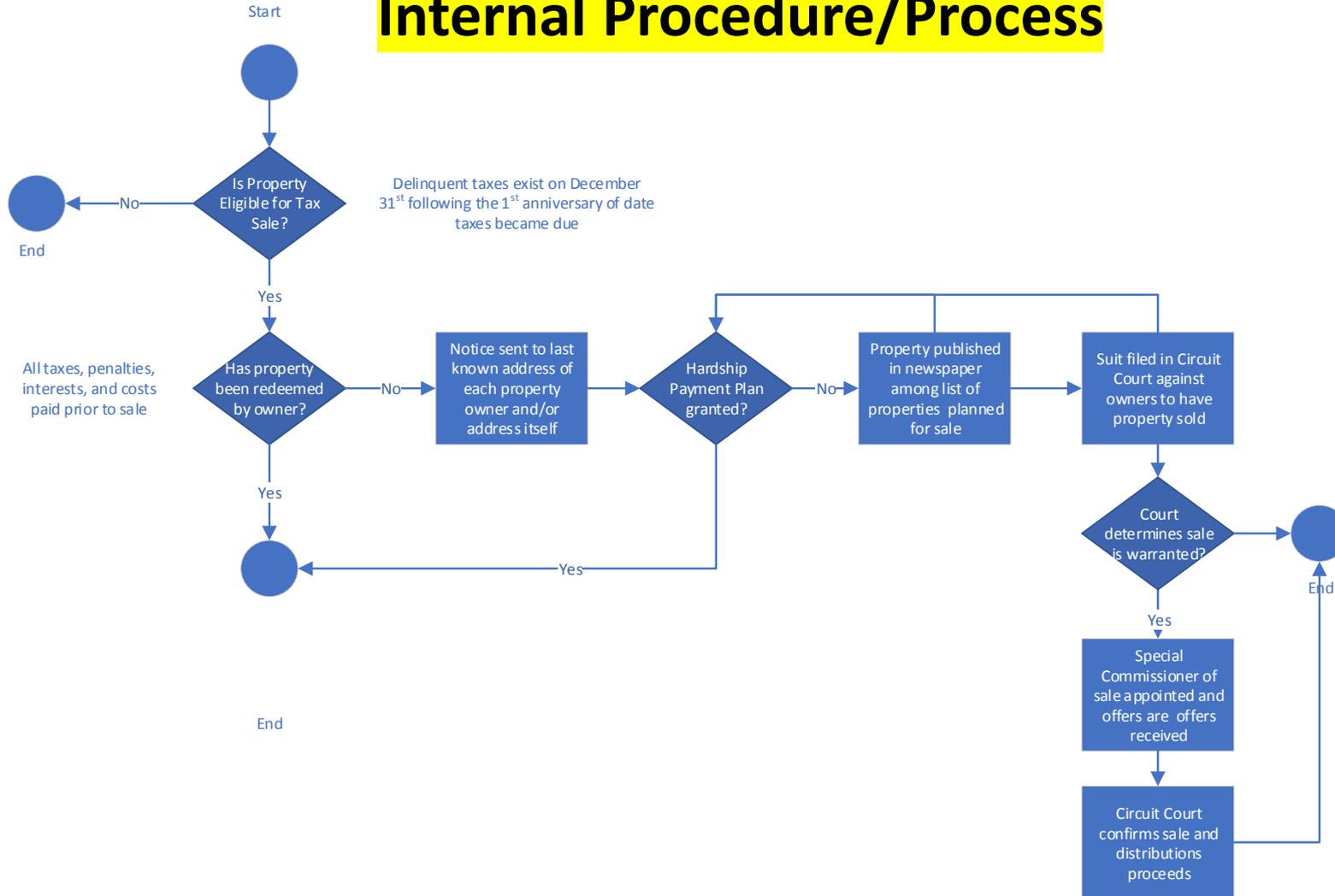
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Internal Procedure/Process



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Request for Council Support to Adopt Policy



City of Petersburg

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Ordinance, Resolution, and Agenda Request

DATE: September 24, 2019

TO: The Honorable Mayor and Members of City Council

THROUGH: Aretha R. Ferrell-Benavides, City Manager

THROUGH: Patrice S. Elliott, Director of Finance

FROM: Tyrus Yerby, Billings & Collections
Paul Mullin, Billings & Collections

RE: Request Council Support in Adoption of Real Estate Judicial Sales Policy

PURPOSE: To execute a motion by City Council to support the adoption of the Real Estate Judicial Sale Policy

REASON: Establishing a policy and procedures outlining the process to implement Code of Virginia 58.1-3965 and 3965.1 and City of Petersburg Code Section 106-65

RECOMMENDATION: That City Council execute a motion in support of adopting the Real Estate Judicial Sale Policy

BACKGROUND: Members from City Council and City Staff met to discuss a comprehensive approach to eradicate and prevent blight. See Presentation Slides for Phase 1 implemented by the Department of Finance, Billings and Collections Office.

COST TO CITY: N/A

BUDGETED ITEM: N/A

REVENUE TO CITY: N/A

CITY COUNCIL HEARING DATE: 10/1/2019

CONSIDERATION BY OTHER GOVERNMENT ENTITIES: N/A

AFFECTED AGENCIES: Department of Finance, Billings & Collections Office

RELATIONSHIP TO EXISTING ORDINANCE OR RESOLUTION:

City of Petersburg City Code Section 106-65

REQUIRED CHANGES TO WORK PROGRAMS: N/A

ATTACHMENTS: Real Estate Judicial Sale Policy, Hardship Payment Plan Form

STAFF: Tyrus Yerby, Department of Finance, Collections Coordinator
Paul Mullin, Department of Finance, Billings & Collections Supervisor
Patrice Elliott, Director of Finance
Anthony Williams, City Attorney
Lionel Lyons, Deputy City Manager



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Frequently Asked Questions (FAQs)

- How often are Judicial Real Estate tax sales conducted?
 - Not frequent enough. 3rd Party collection agencies will be directed to conduct at least 2 judicial tax sales a year
- What was the result of our last Judicial Real Estate tax sale?
 - 8 properties were sold at the last sale held in August 2019
- How does Judicial Real Estate tax sales eradicate and prevent blight?
 - By placing the property in the hands of owners who will properly maintain the property and add to character the neighborhood





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What's Next?

Upcoming Schedule of Presentations

Code Compliance

- Property Maintenance and Code Enforcement



Economic Development

- Real Estate Sales



Planning

- Zoning



Billing & Collections

- Recap / Culmination

