
Coates' Canons Blog: Fighting Blight with Property Tax Bills

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How can a city more effectively fight blight—vacant, abandoned, and dilapidated housing? The city of High Point tried to find some answers last year with help from the Center for Community Progress and the UNC School of Government.

My economic development expert colleague Tyler Mulligan and I were honored to play a part in this extensive effort that included a variety of city departments, Guilford County officials, and neighborhood organizations. Tyler focused on how best to navigate housing code enforcement law. My focus was on how best to use property tax collection remedies to recoup housing code enforcement costs. You can read the full report produced by the Center for Community Progress here; today's blog summarizes the relevant property tax collection issues.

My advice to High Point and other cities combating blight was simple: use your property tax bills!

State law is remarkably quiet about what may or must be included on property tax bills. Believe it or not, a local government isn't even required to send bills to taxpayers; GS 105-348 charges all property owners with notice of their tax obligations even if they never receive actual notice. In other words, "I never got a bill!" is not a valid justification for avoiding your property taxes.

Local governments who choose to send property tax bills (and that's all of them, as far as I know) can choose what to include on those bills. Any debt owed to a local government may be included on a property tax bill. Library fines? Sure. Parking tickets? You betcha. Parks and rec fees? No problem.

As I discuss here, the fact that a particular debt is included on a property tax bill does not automatically grant property tax collection remedies for that debt. The fact that I can't bear to return to the library my long-overdue copy of *An Illustrated History of Duke Basketball* does not give the county the right to foreclose on my house, regardless of whether the county includes my library fine on my property tax bill.

There is one major exception to this rule. Solid waste fees are made subject to property tax collection remedies if and only if they are billed with property taxes. That's the only local government debt collection remedy that changes due to inclusion on the property tax bill.

But the mere fact that a debt is included on a property tax almost certainly increases the likelihood that it will get paid. We North Carolinians are very diligent about paying our property taxes, as evidenced by the statewide average county property tax collection rate of nearly 99%. (You can generate tax collection statistics for NC local governments here.)

Which brings me back to High Point and its battle against blight. Cities actively battling blight incur major costs for their nuisance abatement efforts (removing trash and debris or cutting dangerously high grass and weeds) and housing code enforcement actions (repairing or demolishing homes that fall substantially below code requirements and have been ignored by their owners).

The good news for cities incurring these costs is that both are automatically liens on the property where the work occurred and can be collected using property tax remedies such as attachment and garnishment, levy and sale, and foreclosure. See this bulletin for more on the availability of property tax collection remedies for local government obligations other than property taxes.

The bad news for cities incurring these costs is that despite the availability of property tax collection remedies the collection rates for the costs of blight fight are far worse than that for property taxes. For example, High Point incurred nuisance abatement costs of \$340,000 from 2013 to 2015. Only \$51,000 of those had been paid by 2016, representing a pitiful 15% collection rate. High Point's total unpaid blight fight costs including both nuisance abatement and housing code demolitions and repairs exceed \$800,000. (Details are available on page 21 of the CCP report.)

Including these blight fight costs on property tax bills would almost certainly improve their dismal collection rates. Why? Because even those property owners who fail to maintain their properties in safe condition are still reasonably diligent about paying their property taxes. Of the 860 properties with unpaid nuisance abatement or housing code enforcement costs, 584 are current on their property taxes. That's a whopping 68%!

Apparently property owners pay attention to property tax bills even if they aren't paying attention to their properties' physical condition. Which means, I think, that if High Point worked with Guilford County—the county provides tax collection services for the city through an interlocal agreement—to include nuisance abatement and housing code enforcement costs on the city's tax bills the payment rate for those blight fight costs would increase dramatically.

This approach is not free, of course. There will be personnel and technical costs incurred by both the city and the county to make sure that (i) city blight fight costs are accurately and timely reported to the county and (ii) the county's tax billing system can include those costs on the annual property tax bills. The local governments may need to revisit their tax collection agreement to make sure that the county is made whole for any additional costs related to this billing change. But this investment by the city will almost certainly be substantially outweighed by the increased collection or blight fight costs.

What's more, including blight fight costs on property tax bills will make it easier for the county to include them in property tax foreclosures. Past practice was to include only property taxes.

Both nuisance abatement and housing enforcement costs are liens on the real property subject to the work, meaning those costs can and should be included along with property taxes in a foreclosure action. If not, the foreclosure may extinguish those liens and the city would lose its most potent collection remedy if the costs remain unpaid after the foreclosure sale.

See this post for more about the use of tax foreclosure in redevelopment efforts.

(This post was originally published on the UNC School of Government's Community and Economic Development Blog.)

Links

- www.communityprogress.net/
- www.communityprogress.net/filebin/161102_HighPoint_TASP_Report_FINAL.pdf
- www.amazon.com/llustrated-History-Duke-Basketball-Achievement/dp/1613210000
- www.nctreasurer.com/slg/lfm/financial-analysis/Pages/Analysis-by-Population.aspx
- sogpubs.unc.edu/electronicversions/pdfs/ptb162.pdf
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