

INDIANAPOLIS CASE STUDY SUMMARY

MODEL PRACTICES IN TAX FORECLOSURE AND PROPERTY DISPOSITION

OVERVIEW:

The City of Indianapolis and Marion County seek to return unproductive land to revenue-generating status and to advance the redevelopment efforts of community development organizations through a property disposition model built upon enabling legislation and a cooperative relationship between government entities. The expedited tax-sale (assemblage and transfer of property to community development corporations [CDCs] with specific redevelopment plans) and a state statute authorizing the transfer of property from the City to CDCs for redevelopment purposes promote this agenda.

MODEL ELEMENTS OF INDIANAPOLIS' DISPOSITION SYSTEM:

Determination of Delinquency: Property taxes are collected biannually by the County Treasurer - upon three consecutive missed payments, property is considered delinquent. After certification of delinquency, the tax sale list is made public on the Web site of the County Treasurer who has the authority to auction interests in the properties at an annual tax sale.

Acquisition of Property by the City and County:

- County Tax Sale - The annual sale of interests in properties certified as tax delinquent to private developers, not-for-profits or the City. Property is categorized into three lists: "A" - properties new to the record; "B" - properties unsold at the previous year's tax sale, and "C" - properties identified for the specific purpose of redevelopment (see "expedited tax sale" below). Successful bidders purchase tax sale certificates at a minimum cost of the amount of delinquent taxes plus administrative costs. Following a one-year redemption period, the tax sale bidder obtains a tax deed from the County Auditor, whereupon the title is free and clear of all liens, though quiet title action is necessary. If a property is not sold after appearing on both the "A" and "B" lists, the County acquires liens on the property by default.
- Spot Eminent Domain (SED)¹ - Authorizes the City's Department of Metropolitan Development (DMD) to acquire property located outside of an identified redevelopment area if the lot has been chosen for specific redevelopment purposes and if the property is: 1) identified as an "unsafe premise"²; 2) not a residence or business; 3) capable of development for a low-income family; and 4) causing a negative impact on the surrounding property. Property acquired through SED must be: 1) sold in an urban homesteading program, 2) sold to a family with an income at or below the county's median income, or, 3) sold to a neighborhood development organization.
- Receiverships - The court may appoint a receiver to take possession of property declared an "unsafe premise" long enough for rehabilitation of the property (receiverships have yet to be refined or utilized on a significant level for purposes of redeveloping tax-delinquent properties by CDCs). Implemented in 1981.
- Intergovernmental Transfer - The County may send property to the DMD.
- Other - Donation or voluntary sale of real estate by the owner.

Transfer of Property to Community Based Organizations:

- Expedited Tax Sale - Authorized in 1991 in Indiana Code 6-1.1-24-1.5, an expedited tax sale provides a quick and easy method of assembling vacant, tax-delinquent properties in Indianapolis with quick transfer to non-profit organizations intending to develop the properties. The City of Indianapolis' DMD submits a list of tax-delinquent properties to the County Auditor and requests that they be placed on the "C" list for expeditious transfer to the City. Each property must meet the conditions of spot eminent domain, be developed parcels and be used for the one of the same purposes designated for properties acquired under spot eminent domain. To acquire a "C" list property, a CDC must approach the City's DMD with a redevelopment plan. If approved, the property may be sold to the CDC with a redemption period of 120 days.
- Department of Metropolitan Development - Authorized by state statute (Indiana Code 36-7-15.1-15.1), the Metropolitan Development Commission (governing body of DMD) may grant property acquired via spot eminent domain to CDCs.
- Marion County Surplus Sale - Sale of County-owned, residential or commercial properties acquired by default following two consecutive tax sales. Following one final sale attempt, properties may be transferred to a CDC for an administrative fee of \$170. As only the County lien is relieved upon sale, these properties require quiet title action.
- Post-sale negotiations - A CDC may contact the Commission directly to express interest in taking title to a property. Following a hearing, the City may opt to transfer the property to the CDC at no cost. Quiet title action is necessary.
- Direct purchase - In some cases, a CDC may present an offer to the owner of a tax-delinquent property prior the tax sale.

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¹ Indiana Code 36-7-15.1

² Indiana Code 36-7-9

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The City of Indianapolis and Marion County seek to return unproductive land to revenue-generating status and to advance the redevelopment efforts of community development organizations through a property disposition model built upon enabling legislation and a cooperative relationship between government entities. The expedited tax-sale (assemblage and transfer of property to community development corporations (CDCs) with specific redevelopment plans) and a state statute authorizing the transfer of property from the City to CDCs for redevelopment purposes are two vehicles that promote this agenda.

Acquisition of Property by the City and County:

Marion County and/or the City of Indianapolis may take title of tax delinquent property via the County tax sale, spot eminent domain, receiverships or by way of intergovernmental transfer.

The County tax sale is the annual sale of interests in properties certified as tax delinquent by the County Treasurer upon three missed tax payments (taxes are collected biannually). Property is listed as an "A", "B", or "C" property. Those found on the "A" list are new to the record; "B" properties failed to sell at the previous year's tax sale, and "C" properties are those identified for the specific purpose of redevelopment. At the tax sale, successful bidders purchase tax sale certificates, with the minimum bid set at an amount that will cover the delinquent taxes plus administrative costs. After one year, if a property sold from the "A" or "B" list has not been redeemed (payment of delinquent taxes plus costs and interest by the property owner), the successful tax sale bidder may obtain a tax deed from the County Auditor with title free and clear of all liens. Quiet title action is necessary. If a property is not sold after appearing on both the "A" and "B" lists, the County acquires the liens on the property by default. ("C" list properties explained below.)

Spot Eminent Domain³ (SED) authorizes the City's Department of Metropolitan Development (DMD) to acquire property located outside of an identified redevelopment area if the lot has been chosen for specific redevelopment purposes and if the property is: 1) identified as an "unsafe premise"⁴; 2) not a residence or business; 3) capable of development for a low-income family; and, 4) causing a negative impact on the surrounding property. Property acquired through SED must be sold in an urban homesteading program, sold to a family with an income at or below the county's median income, or sold to a neighborhood development organization.

If a property is declared an "unsafe premise," the court may appoint a receiver to undertake the rehabilitation of the property. Finally, control of properties acquired by the County may be transferred to the City's Department of Metropolitan Development (DMD) through intergovernmental transfer.

Transfer of Property to Community Based Organizations:

Several other vehicles exist to facilitate the transfer of publicly-owned property to CDCs in Indianapolis including the expedited tax sale ("C" list tax sale), a state statute authorizing the transfer of properties from the City to CDCs for redevelopment purposes, the County surplus sale, post-sale negotiations and direct purchase.

Authorized in 1991 in Indiana Code 6-1.1-24-1.5, an expedited tax sale provides a quick and easy method of assembling vacant, tax-delinquent properties in Indianapolis with quick transfer to non-profit organizations intending to develop the properties. The City of Indianapolis' Department of Metropolitan Development submits a list of tax-delinquent properties to the County Auditor and requests that they be placed on the "C" list for expeditious transfer to the City. Each property must meet the conditions of spot eminent domain, be developed parcels and be used for the one of the same purposes designated for properties acquired under spot eminent domain. To acquire a "C" list property, a CDC must approach the City's DMD with a redevelopment plan. If approved, the property may be sold to the CDC with a redemption period of 120 days.

A state statute (Indiana Code 36-7-15.1-15.1) authorizes the Metropolitan Development Commission (governing body of the DMD) to grant property in blighted areas to community development corporations. Around the time of the general tax sale, Marion County conducts a surplus sale - the sale of county owned residential or commercial properties acquired by default following two consecutive tax sales. Following a final attempt to sell the property, the parcel may be transferred to a CDC for the cost of a \$170 administrative fee. Through post-sale negotiations, a CDC may contact the Commission directly to express interest in taking title to a property. Following a hearing, the city may opt to transfer the property to the CDC at not cost. Quiet title action is necessary. Lastly, a CDC, in some instances, may present an acceptable offer to the owner for direct purchase of a tax-delinquent property prior the county tax sale.

³ Indiana Code 36-7-15.1

⁴ Indiana Code 36-7-9