

Tax foreclosures hit record high; county has taken possession of 226 properties for unpaid taxes

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Karen Coffman, Jackson County treasurer, heads back to the car after checking out one of Jackson's tax-foreclosed properties. Coffman tries to personally visit many of the properties the county takes possession of every year, particularly if residents still live in them.

The house looks nice enough. It sits on a large corner lot with a well-tended yard and a screened-in porch. It's quiet except for the creaking front door that swings open, evidence of the hasty departure of its former inhabitants. The home is one of 107 properties in the city that was foreclosed on in March for unpaid taxes that dated back to 2008. Scattered on the floor inside are remnants of family life — piles of toys and clothes, half-empty boxes of pasta and a crumpled photograph of a man holding a young girl. It's a familiar scene for Jackson County Treasurer Karen Coffman, who was visiting tax-foreclosed properties on a mid-April afternoon to review their condition and talk to any lingering residents.

And it's one that's becoming more common. This year, 226 properties were foreclosed on countywide for unpaid taxes — the highest in the county's history. "Every house has a story," Coffman said. "You never know what happened. You just guess."

A growing problem

While mortgage foreclosures are still a primary culprit in property loss, comprising the majority of overall foreclosures, tax foreclosure is on the rise. The rate of tax foreclosure has increased exponentially in Jackson County, where 43 properties were foreclosed on for unpaid taxes five years ago. Last year, 152 properties were foreclosed on. The number of homes or other buildings that have slipped into foreclosure is also rising. There were 109 tax foreclosed buildings this year and 97 in 2010.

“It’s huge,” Coffman said. “We’ve never seen numbers like that.” Problems surrounding tax foreclosure aren’t isolated to Jackson. “It’s on everybody’s radar screen,” said Neeta Delaney, co-director of the Michigan Foreclosure Task Force. “We hear repeatedly that tax foreclosures throughout the state are doubling.” The task force has traditionally focused its work on combating mortgage foreclosures, but could expand that to include tax foreclosure, which appears to be growing at a faster rate, she said. Continued economic struggles, particularly unemployment or underemployment, are the main sources of the problem, Delaney said.

The patchwork of foreclosures varies in each community. Most of Blackman Township’s 31 tax foreclosed properties are vacant lots, and the majority are a contiguous series of parcels initially purchased for development. The seven in Parma Township are all empty land. In the city, 83 foreclosed properties have structures on them. Almost all are homes and most were vacant, city Assessor David Taylor said. He said he was amazed by the volume of tax foreclosed houses.

“The taxes got away from people. Maybe they lost their job and didn’t have options,” Taylor said. “It’s a tough situation out there.” Taxes also got away from some banks that were likely looking to cut their losses, officials said. Several bank-owned homes in the city were foreclosed on for unpaid taxes. “If the value’s not there, they let it go,” Coffman said. “They don’t want to be in the real estate business. It’s out of sight, out of mind.”

It shows. The vast majority of homes the county foreclosed on this year had been abandoned, and many were condemned, Coffman said. There are 8,687 vacant houses countywide and 15,457 in the city, figures from the 2010 Census showed. “It’s become a community-wide issue,” Coffman said. “You’ll have these structures sitting vacant. It’s ripe for blight.”

By the numbers

TOTAL TAX FORECLOSURE BY YEAR

2011.....	226
2010.....	152
2009.....	104
2008.....	57
2007.....	43
2006.....	53
2005.....	43

Source: Jackson County Treasurer's Office

TAX FORECLOSURES BY COMMUNITY IN 2011

Municipality	Total	Properties with structures	Vacant properties
Jackson County	226	107	119
City of Jackson	107	83	24
Blackman Township	31	5	26
Columbia Township	11	1	10
Concord Township	0	0	0
Grass Lake Township	2	1	1
Hanover Township	2	2	0
Henrietta Township	2	0	2
Leoni Township	20	8	12
Liberty Township	4	0	4
Napoleon Township	3	1	2
Norvell Township	2	0	2
Parma Township	7	0	7
Pulaski Township	0	0	0
Rives Township	1	0	1
Sandstone Township	0	0	0
Spring Arbor Township	3	2	1
Springport Township	1	1	0
Summit Township	26	2	24
Tompkins Township	1	1	0
Waterloo Township	3	0	3

Source: Jackson County Treasurer's Office

For more information on tax foreclosure, the auction of foreclosed properties or resources available to help, visit www.co.jackson.mi.us/departments/treasurers

Backlash on government

Workers eventually will change the locks on the doors and empty the interior of abandoned homes to prepare them for auction Tuesday. "The numbers seem to go up every year," said Pat Cripes, who along with her husband, Reuel, work to secure and maintain the properties for the county before the auction. "We're never done it seems." Through the auction, the county tries to recoup what was owed in unpaid taxes. This year, it amounts to more than \$864,000. Starting bids will be determined by the amount of delinquent taxes, as well as any penalties, interest and fees.

The costs can stack up during the three-year tax foreclosure process. The first year taxes are delinquent, the county charges a 4 percent administration fee, 1 percent interest per month and a \$15 fee to cover the cost of mailings. If taxes are still unpaid the following year, the property goes into forfeiture — a precursor to foreclosure — and almost \$200 in additional fees and 1.5 percent interest are added. If taxes remain unpaid after three years, the county initiates foreclosure proceedings. Struggling property owners can seek a one-year extension on their taxes during hardship hearings early in the year, but still must pay back all taxes and fees. Those who aren't granted an extension and fail to pay by

March 31, will lose their property to the county, which offers them to the highest bidder at Tuesday's auction.

Properties that don't sell during the first auction will be on the block for a second time in September, when the minimum bid is \$50. If there are still no takers, the financial burden of unpaid taxes ultimately is shouldered by the county's about \$1 million delinquent tax revolving fund since the county buys the debt initially. But if auction proceeds do not cover the amount owed and the county is overwhelmed by the glut of foreclosed properties and delinquent taxes, the costs could fall back on the community foreclosed properties are located in. That could happen for the first time this year because of the volume of foreclosures, Coffman said.

"This isn't something that they budgeted for," she said. "This could happen, and it's out of our control. We're just victims of circumstance." What each municipality owes will depend on what sells and for how much in its jurisdiction. It would be another blow to the city, which already has been slammed by declining property values and slipping tax revenue. "We'll have to tighten our belt," Taylor said.

Any solutions?

There isn't one solution that will stave off future tax foreclosures, but it is certain that the economy must improve before numbers decline, officials said.

"Unless we see an economic turnaround, I see more foreclosures in the future," Taylor said. "So much of this depends on what's going on in the economy. Until then, there's not a lot we can do except weather the storm, I guess." The only upside is that slipping assessments from declining property values might make taxes more affordable for struggling residents, allowing them to stay in their homes, he said.

Delaney suggested officials could pool money from fees levied on delinquent taxes to help others keep their homes or to hire foreclosure counselors. The county Land Bank Authority has taken on some tax foreclosed properties with the intention to restore and sell them to return them to the tax roll and improve neighborhood property values. The Land Bank now has more than 60 properties in its inventory. The city also will demolish one three-unit home in its inventory of foreclosed properties as part of an effort to tackle blight.

Ultimately, tax foreclosures take a toll on neighborhoods. "It's all vacant properties and that has an impact on property values and neighborhood quality of life," Delaney said. "Tax foreclosure is on the rise, and they hurt just like mortgage foreclosures do."

— Staff photographer Katie Rausch contributed to this report. © 2011 MLive.com. All rights reserved.