# DELINQUENT PROPERTY TAXES AS AN IMPEDIMENT TO DEVELOPMENT IN MICHIGAN

**April 1999**

**REPORT NO. 325**

Governmental Research Since 1916

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was made possible by a grant from the Hudson-Webber Foundation.

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# DELINQUENT PROPERTY TAXES AS AN IMPEDIMENT TO DEVELOPMENT IN MICHIGAN

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The Citizens Research Council of Michigan's Center for the Study of Economic Development Policy thanks B. Jeffrey Reno of The Hudson Institute, Scott Schrager of the Michigan Municipal League, Barbara Gordon of The City of Kalamazoo, James VanLeuven of Oakland County, Jim Tischler of the City of Monroe, Fred Headen of the Michigan Department of Treasury, Stuart Trager and Kevin Richard of the City of Detroit Law Department, for their comments, clarifications and suggestions.

## *Background of Issue*

In the past few years, much of the economic development policy discussion in Michigan has focused on development of previously developed areas. This discussion is driven, in part, by metropolitan boundaries that are expanding at a faster rate than their populations. One byproduct of declining metropolitan area population densities is an increase in disinvestment and abandoned or unusable land. As businesses and residents relocate from the center to the edges of the metropolitan boundary, the local units of government that hosted them are often left with declining property values, or, in the worst case, empty structures. But the notion of property abandonment and succession, popular in discussions of urban sprawl, does not explain why property is easier to develop than it is to redevelop.

The short answer is that property redevelopment is often hindered by issues of desirability and compatibility. Issues of desirability include the set of conditions associated with the area proximate to the site: local labor markets, transportation access, crime, schools, and taxes, to name a few. Issues of compatibility are those associated with the site itself, and include (but are not limited to) land assembly, environmental status, zoning, and utility delivery. It is the sum of desirability and compatibility issues that drives a site location decision, and, in most cases, these issues favor previously undeveloped sites.

State and federal targeted zone programs of the 1980s and early 1990s tried to overcome the disinvestment problems of previously developed areas by offering a premium for relocation to a targeted zone. Theoretically, such a premium, usually in the form of a tax break, would offset the desirability and compatibility disadvantages associated with the site. While these early targeted zone programs have produced mixed results, state policymakers have begun to narrow the focus of the problems encountered on previously developed sites. The Brownfield Redevelopment Act of 1996 allows local units to set up brownfield authorities in areas with environmental contamination, which provide financing for local environmental remediation.

In addition to environmental contamination, another impediment to redevelopment has emerged in the economic development discussion. Tax delinquent and reverted properties, which are subject to lengthy and sometimes interminable stretches of time before they are restored to productive status, are now under formal public policy scrutiny. At its barest essence, the debate over the delinquent property tax process is one of property rights versus a community's ability to return such properties to the tax rolls. With the continued growth of economic development programs in Michigan, some degree of reform is called for in the tax delinquency and reversion process, so as to enhance the likelihood that these programs are part of Michigan's successful redevelopment.

## *Summary*


### I. Negative Consequences of Tax Delinquency

Unpaid property taxes may contribute to local revenue shortfalls, consumption of additional administrative resources, neighborhood blight, and legal difficulties for parties interested in acquiring the property.

### II. Delinquent Property Tax Processes

Although the immediate local unit of government is accorded the responsibility of all local tax collections, the county acts on behalf of the state as collection agent for any delinquent portion of property taxes. Tax payments are payable to local taxing units (cities and townships), who forward non-local portions to their respective units. Unpaid taxes are returned as delinquent to the county treasurer, who then certifies them as such. The county reimburses the local units for lost revenues due to delinquencies.

Unpaid property taxes become officially delinquent on March 1 following the tax year. Upon delinquency, the taxpayer is liable for delinquency fees and penalties, as well as interest, on the unpaid balance.

Counties may establish a delinquent tax revolving fund to reimburse local units for revenues forgone by delinquencies. Counties have the authority to issue debt to provide seed money to the delinquent tax revolving fund. The fund also receives revenue from the payment of delinquent taxes and the annual tax sale.

After a 26-month period of delinquency, the county holds a tax lien sale, where buyers can purchase the right to become lien holders on the delinquent taxes payable on the property. If tax lien is purchased and the owner redeems the taxes, the lien holder is entitled to:

- Any delinquent tax proceeds paid on the property;
- 1.25 percent per month interest on delinquent taxes;
- Any administrative fees paid to obtain the lien.

If the taxes are not redeemed, the lien holder may eventually take title to the property by perfecting the lien. If the lien is not purchased at the tax sale, the lien is bid off to the State, which then acts as custodian for the lien.

If the taxes are not redeemed while the lien is with the State, then an administrative hearing is held where recorded property interests may show cause why the property should not revert to State ownership. This hearing, known as the *Dow* hearing, is named after a landmark Michigan Supreme Court case. If no compelling evidence is presented at the hearing, then the property is titled in absolute to the State at least 30 days after the hearing.

Upon transfer of title to the State, the Department of Natural Resources performs an assessment of the property, and chooses to either retain it as State property, or to return it to the local unit of government, or to sell it to the public.

### III. Delinquent Property Tax Process Issues

The major issues implicit and explicit in the delinquent tax and reversion process are identified as:

**Process Length.** If the property fails to attract interest at tax sale, and the taxes are not redeemed, the entire process can take over five years until the State makes final disposition of it. Several other states have tax reversion systems that return delinquent property to the local unit much faster than Michigan's system.

**Property Rights.** The long administrative process serves a public policy end: It preserves the rights of property owners by allotting them a long time to pay delinquent taxes or redeem outstanding liens.

**Tax Lien Sales.** Most lien purchasers have no intention to eventually take control of the property, but

rather are solely interested in the redemption of the taxes by the owner.

**Urban and Rural Impact.** Countywide tax sale data in Michigan from 1994 to 1998 indicates that the tax reversion process may have a disparate impact on urban areas. Collectively, rural counties sell a greater percentage of liens at tax sale than do urban counties.

**Uniform Procedures for Different Property Classes.** With one exception, all classes of property are treated in the same manner for the purposes of delinquent tax collection. Most significantly, there is no separate procedure for abandoned property, as this is arguably the most important unofficial class of property for redevelopment purposes.

**Obtaining Marketable Title for Tax-Reverted Properties.** Another problem that serves to aggravate local units' inability to redevelop tax-reverted properties is that many such properties have cloudy titles. Although state-reverted properties are titled in absolute to the state, title insurers often will not write policies on them, due to possible claims that remain, even after the *Dow* hearing.

**The Lack of Incentive for Local Units to Change the System.** There is no onus on the local cities or townships to compel payments from delinquent owners, as local units are reimbursed from the county revolving fund. This arrangement leaves local units with little impetus to return delinquent properties to the tax rolls more quickly.

## IV. Remedies

An improved tax delinquency and reversion system is required to facilitate a speedier return of tax delinquent properties to tax-current status. The ultimate objective is to strike the proper balance between owners' property rights and the redevelopment imperative facing local units, particularly those with flat or declining property values.

### Remedies that Abolish Tax Lien Sales

**Eliminate Tax Sales and State Reversion for All Michigan Counties.** Eliminating the tax lien sale in all counties and proceeding directly to foreclosure would shorten the tax delinquency process.

**Make Tax Sale Participation Voluntary.** With the tax sale as an effective means of delinquent property disposal in many counties, one suggestion has been to make the tax sale voluntary by county.

### Remedies that Retain Tax Lien Sales

**Restructure Tax Sales to Enhance Local Revenue and Increase Sales Volume.** Instead of the current "interest bid down" tax sale procedure, where bidders competing for the same tax lien must bid in successively declining ownership interests, the same competing interests could simply bid in a conventional fashion.

**Restructure Tax Sales to Compel Property Ownership.** A method to compel lien buyers to take possession and improve tax delinquent property is needed to prevent the problem of unperfected liens. Unless the property is particularly desirable, the tax lien purchaser will not perfect the lien, and the property remains vacant, and progresses toward State ownership.

In order to compel lien buyers to improve the property, the General Property Tax Act could be amended to:

- Require tax lien buyers to post a bond with the county to insure that such buyers perfect the lien and assume ownership if the taxes are not redeemed.
- The lien buyers could have the title automatically vest in their name, and thereby become taxpayers of record on the property, thus exposing them to liability for unpaid taxes.

**County Foreclosure for those Properties that Fail to Attract Interest at Tax Sale.** For properties that fail to attract interest at tax sale, a simple solution is to allow for county foreclosure on such properties. Instead of bidding off such properties to the State, the delinquent property could become subject to county administrative or judicial foreclosure.

**Remedies Not Specifically Related to Tax Sales**

**Preferential Treatment for Community Groups and Adjacent Landowners.** There is no provision that allows local units, or the community groups therein, to have a "first look" at the possible purchase of tax delinquent properties for potential acquisition. Such a provision would enhance the chances of getting tax delinquent properties back on the tax rolls.

**Securing Marketable Title.** The State or local units could take steps to protect against the possibility that hidden interests will emerge after the property is conveyed to the local unit. Specifically, the State could initiate quiet title actions against all significant interests as described (but not defined by) *Dow*.

## V. Conclusion

Michigan's tax delinquency and reversion process is a hodgepodge of common law legal ramifications, state statutes, and local charter provisions. Collectively, these factors contribute to an untenably long process for many tax delinquent properties, particularly those with low sale value. Therefore, tens of thousands of properties exist statewide that are, for all intents and purposes, not developable.

Any effort to reform the tax delinquency collection and reversion process must consider the property rights of tax delinquent owners, the positive and negative effects of county tax sales, and the State's role in the reversion process. Reform efforts should also consider the effect that tax delinquent properties have on urban areas, the effects of tax delinquent properties that are not sold at tax sale, and the lack of incentive for local units to change the system.

# I. Introduction

In the legislative session of 1893, most of the laws now governing the assessment, administration, and collection of property taxes in Michigan were created. One vestige of Public Act 206 of 1893, also known as the General Property Tax Act, is the procedure to compel payment from property owners who become delinquent in property taxes.

## When Property Taxes Go Unpaid

Failure to pay property taxes (including special assessments) when they are due brings various negative consequences to the local community, not the least of which is the potential for the surrender of the property by the owner. Other negative consequences include:

***Unfair To Those Who Pay Taxes.*** Local services, such as police and fire protection, schools, local road maintenance, and others, continue to be provided to the property despite its delinquent tax status. Property taxpayers effectively subsidize local public services for non-taxpayers, who continue to enjoy services that benefit the property.

***Cash Flow Shortfalls in Local Units of Government.*** Local units of government (including counties) can experience revenue shortfalls if property taxes are not paid. Although these units can avail themselves of various funding sources to make up for the loss of tax revenue, these funding sources, are, in part, provided by local borrowing, which introduces an additional tax burden on local taxpayers.

***Additional Administrative Resources.*** The property tax collection process, including tax sales or deed transfer to the state, consumes significant time and administrative resources, particularly at the county and state level. An annual tax sale held by Michigan counties can consume weeks of full-time preparation, especially in populous counties. Properties on which liens are not purchased at the tax sale eventually revert to the state, which is charged with assessing and inspecting the property. The state may then return it to the local unit, retain it for public use, or sell it off. This also consumes considerable administrative resources.

***Blighting Effects.*** Many tax delinquent properties evolve into a blighted state, particularly in the cases of properties with low sale value. It is not uncommon for such properties to have tax arrearages that exceed their appraised value, which effectively prevents the owner from selling the property to satisfy the arrearage. With the property in such a financially upside-down condition, many owners simply abandon the property, allowing it to fall into disrepair. This dynamic is found most often in units of government with relatively low property values and relatively high property taxes.

The devaluing effects of upside-down tax delinquent properties may also extend to properties that are proximate to them. A domino effect of devaluation may be started by as few as one blighted (and presumably tax delinquent) property. Preliminary data suggest that the tax reversion process may be a significant contributor to urban decay, insofar that such tax reverted properties remain legally encumbered for too long a time, effectively sending development interest elsewhere.

***Difficulties in Property Acquisition.*** When acquiring land for redevelopment, local units of government, community development organizations, and private developers are often hamstrung by tax delinquent properties. Often, such properties are subject to a set of administrative procedures, described herein, that can delay or kill off local redevelopment projects. Additionally, even when local units *can* take possession of tax-reverted properties, such properties often have questionable titles, leaving local developers unable to obtain title insurance on them.

For the purposes of property acquisition, it is somewhat perverse that developers often go through more administrative procedures for unproductive (tax delinquent) property than for productive (tax current) property. This is often the case when one compares the length of time it takes to acquire a property through eminent domain with the time it takes to acquire a tax delinquent property.

## II. Delinquent Property Tax Processes in Michigan

The Michigan General Property Tax Act, Public Act 206 of 1893, prescribes the process and procedure for the collection of delinquent property taxes. The following discussion of the delinquent property tax process in Michigan is presented in an abridged manner, and is intended to provide the reader with the rudiments of the process, not exhaustive detail.[1]

### A. Collection of Delinquent Property Taxes in Most Local Units of Government in Michigan

**Chart 1** is the tax collection and reversion procedure for the entire state, except for the cities of Detroit and Kalamazoo. The tax delinquency process in effect in those cities is discussed later in this section, in addition to an exception to the general process described in Chart 1.

Although the immediate local unit of government is accorded the responsibility of all local tax collections (including the county portion), the county acts on behalf of the state as collection agent for any delinquent portion of property taxes. Summer and winter tax payments (due on July 1 and December 1 in most Michigan communities) are payable to local taxing units (cities and townships), who forward non-local portions to their respective units (e.g., the State, counties, local schools, intermediate school districts). Unpaid taxes are returned as delinquent on March 1 of the following year to the county treasurer, who then certifies them as such. The county reimburses local units, local schools, intermediate school districts, and regional authorities for lost revenues due to delinquencies.

Upon delinquency, the taxpayer of record becomes liable for delinquency fees and penalties, as well as interest, at a rate of one percent per month, on the unpaid balance. In addition, the taxpayer of record is liable for a one percent local administration fee, and a four percent county administration fee. Interest, fees, and penalties increase throughout the several stages of delinquency.

[1] For the tax collection and delinquency provisions of the General Property Tax Act, see Michigan Complied Laws 211.44 through 211.157.

### B. Delinquent Tax Revolving Fund

Michigan allows counties to establish a delinquent tax revolving fund to reimburse local units for revenues forgone by delinquencies.[2] Counties may issue revolving fund notes (short-term borrowing), backed by the full faith and credit of the county, to establish and maintain the revolving tax fund. Payments to the fund are made by delinquent tax redemptions and proceeds from the annual tax sale. According to the Hudson Institute, most counties show an annual surplus in their delinquent tax revolving funds, due to the significant interest and penalties due for delinquent tax payments.

### C. County Tax Lien Sale

After two years and two months of delinquency, the county holds a tax lien sale, where buyers can purchase the right to become lien holders on the delinquent taxes payable on the property.[3] The purpose is to sell the right to become senior lienholder on properties that have been delinquent for over two years. Redemption costs accelerate if the property goes to tax sale. Specifically, interest on the delinquency is recalculated at 1.25 percent per month, up from 1 percent per month during the 26-month delinquency period leading up to the sale. It is important to note that properties that remain delinquent after the sale of a tax lien can come up for bid at subsequent tax sales for subsequent delinquencies. It is therefore possible for several liens, held by different interests, to be outstanding on a tax delinquent property.

During the year immediately after the tax sale, purchasers of tax liens are entitled to:

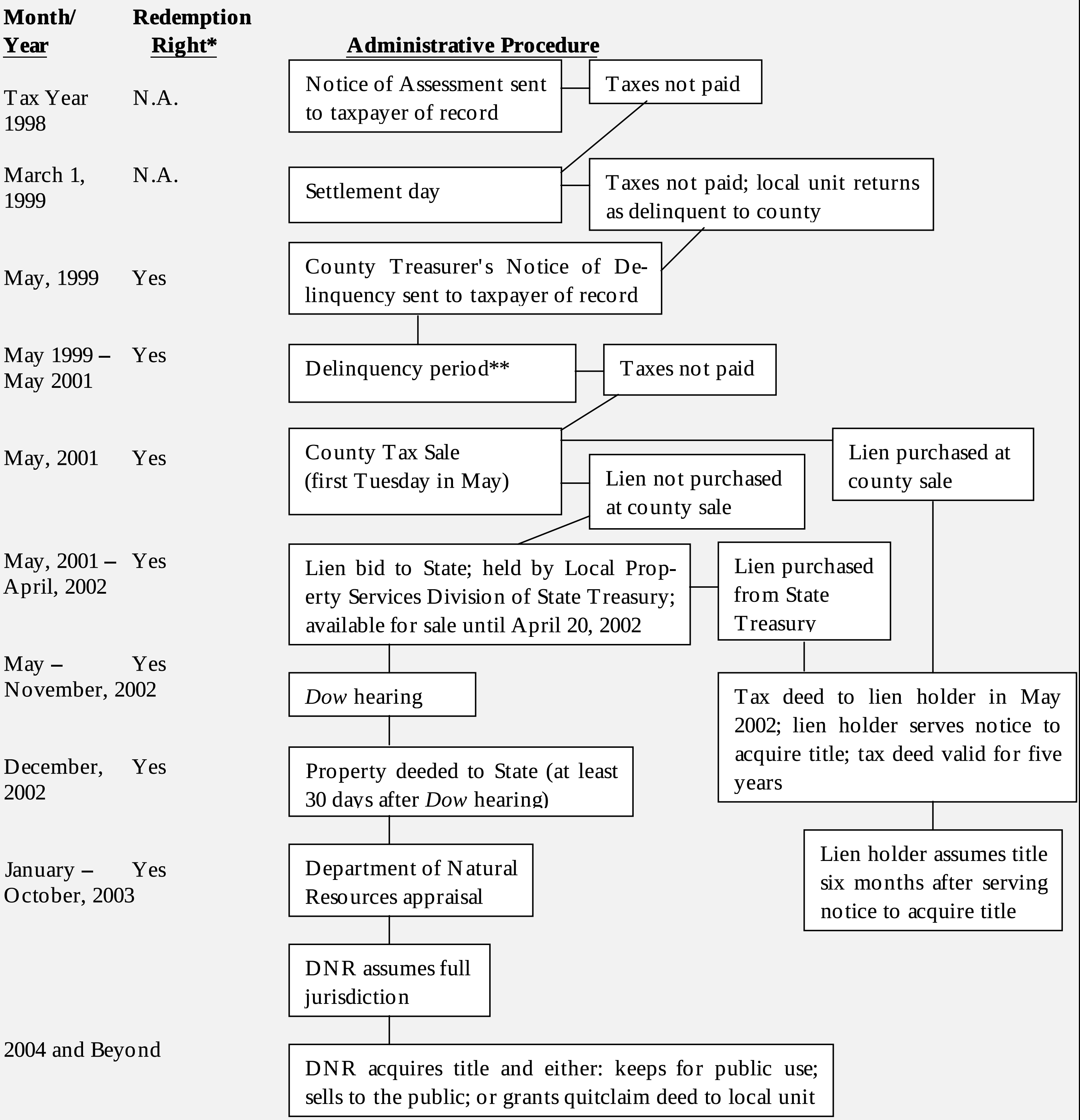
- Any delinquent tax proceeds paid on the property;
- 1.25 percent per month interest on delinquent taxes;
- Any administrative fees paid to obtain the lien.

[2] Michigan Compiled Laws 211.87b, 211.87c.

[3] For Certified Special Residential Property (see discussion on page six), this period is shortened to one year. Certified Special Residential Property is defined in Michigan Compiled Laws 211.55a.

**Chart 1**

**Tax Delinquency and Reversion Process in Michigan (Except for Detroit and Kalamazoo)**




*Various statutory rights of redemption, with separate and distinct redemption costs, exist throughout the process.

**Except for Certified Residential Property, which remains delinquent for one year.

### *Tax Sale Structure and Lien Costs*

The county tax lien sale is held on the first Tuesday of each May.[4] The sale price of the lien is the total amount of delinquent taxes, interest, and fees due on the property for the delinquent tax year(s). In law, if there is more than one buyer, the bidding proceeds with each potential buyer pledging a successively declining interest in ownership of the property. That is, if five buyers wish to buy the same lien, then the winning bid is the buyer who is willing to accept the smallest ownership interest in the property, when and if the process gets to the point where they may take partial title to the property. As discussed in the next section, if the owner fails to redeem the taxes, the lien buyer may elect to perfect the lien, and take an ownership interest consistent with that purchased at tax sale. When the ownership percentage is less than 100 percent, any such lien, if perfected, entitles the holder to a tenancy in common with the owner.

In reality, however, if there is more than one bidder for a 100 percent interest in a given parcel, then the auctioneer will randomly choose a buyer among the group of buyers willing to accept a pre-chosen ownership interest, in some cases as low as one percent.

**Glossary of Terms**

*Perfect the Lien* - If taxes are unredeemed one year after the tax sale, the lien buyer is sent a tax deed. The lien buyer may then file a Notice to Acquire Title with the county, with proof of the tax deed, in order to take possession of the property.

*Quiet Title Action* - A proceeding to establish the plaintiff's title to land by bringing into court an adverse claimant and there compelling him either to establish his claim or be forever after prevented from asserting it.

*Quitclaim Deed* - A legal instrument that, upon conveyance, relinquishes the owner's interest in a property without providing any warranty of title.

*Redemption of Delinquent Taxes* - Payment by the owner (or taxpayer of record) of delinquent taxes. Taxes become delinquent on March 1 (Settlement Day) of the year following the assessed tax year.

*Reversion* - The return of property to government ownership for non-payment of taxes.

*Settlement Day* - March 1 of the year following the assessed tax year. This is the day that property taxes become delinquent, and become subject to interest, administrative fees, and penalties.

*Tax Sale (or Tax Lien Sale)* - Annual county-administered sale of liens on tax delinquent properties, held on the first Tuesday of each May.

*Tax Lien* - A claim against specific property that can be enforced in court to secure payment of a judgment, duty, or debt.

*Tax Deed* - A legal instrument that permits the bearer to take possession, in accordance with their ownership interest, of a property that has gone delinquent for taxes.

*Tenancy In Common* - a legal right to property that accords the holder a title to the property (commensurate with percent of ownership interest), a transferable ownership interest, and full rights of occupancy.

*Title in Absolute* - A right to property that accords a 100 percent ownership interest to the titleholder.

[4] Although this is the statutorily prescribed date of the county tax sale, many counties, because of the last-minute rush of tax payments, offer only one delinquent tax lien for sale on this day. Most of the liens are offered for sale beginning the next day, to allow time for processing the last-minute tax payments. The entire tax sale may take several days in larger counties.

Presumably, the absence of a more conventional bidding process is due to high attendance at tax auctions. In counties that offer a relatively large number of liens at tax sale, it is not uncommon for busloads of attendees to fill the county auditorium, with many such attendees acting as agents for investment organizations. By maximizing the number of "employees" at tax sales, such investment organizations maximize their chances of being chosen as the tax lien buyer.

### *If Tax Lien is Purchased*

The lien holder, upon purchase, is entitled to the listing of benefits on page 2 if the owner redeems the taxes. If the taxes are not redeemed, the lien holder may eventually take title to the property by perfecting the lien.

#### 1. Perfecting the Lien

If the lien is purchased and taxes are not redeemed after one year, the purchaser is sent the tax deed. Upon receipt of the tax deed, the purchaser may perfect the lien by filing a proof of the tax deed with the county sheriff, who then serves notice to all recorded property interests that a request to perfect the lien has been claimed. If there is no further action after such notice, the lienholder is then issued a deed on the property, in accordance with the percentage interest in the property.

#### 2. Lien Perfection not Mandatory

It is important to note that any such lienholder does not have to perfect the lien, and, in cases of upside-down property, would have no immediate financial incentive to do so. The tax deed remains valid for five years from the time it is issued, which conceivably allows a tax deed holder to try to perfect the lien long after it has been deeded to the State.

#### 3. Redemptions after Tax Deed is Issued

If the owner chooses to redeem the taxes after the deed is sent to the tax lien purchaser, the owner must pay an accelerated schedule of penalties, fees, and interest, including an additional 50 percent of delinquent tax principal. Principal and interest amounts are payable to lienholders, who stand to gain significantly above-average returns (relative to other investment securities) with their tax liens.

### *If Tax Lien is not Purchased*

If the lien is not purchased at the tax sale, the lien is bid off to the state, which then acts as custodian for the property. The lien is sent to the Department of Treasury's Local Property Services Division, where it remains available for sale or redemption until April 20 of the following year. During the six-month to one-year period with the Department of Treasury, the property owner and all interested parties are given one last opportunity to redeem the taxes and prevent reversion to the state.

Before the property title can pass to the state, a Michigan Supreme Court decision mandates that proper notification shall be sent to all potentially affected interests in the property. *Dow v. Michigan* 396 Mich 192 (1976) arose when plaintiffs, as land contract purchasers of property that became tax delinquent, were provided no formal notice of the delinquency or tax sale because of their unrecorded interest in the property. Finding that the plaintiffs had a significant interest within the meaning of the Due Process Clause of the U.S. Constitution, the *Dow* court held that written, mailed notice need be provided to all such interests, not just recorded interests.[5]

[5] Public Act 476 of 1996 accords actual notice to recorded interests only, but extends the time of the final redemption period until all such recorded interests are found and notified. Before *Dow*, the State was required to provide such notice to property owners only. After *Dow*, the State was required to find (and notify) unrecorded interests in the property before the deed could be transferred, an expensive and time-consuming task. After PA 476 of 1996, the State's range of notice extended only to recorded interests, and thereby placed a burden on potential significant property interests, such as land contractors and mortgage lenders, to record their interests in order to preserve their rights in State deed transfer proceedings. However, PA 476 of 1996 did not resolve the problem of obtaining title insurance on tax-reverted properties. Private title insurers are reticent to write policies against such properties, as they fear having to defend possible due process challenges to PA 476 of 1996.

Thirty days after the *Dow* hearing, if compelling evidence has not been presented to prevent the transfer of title, then the title vests (is given) absolute in the state. At this stage, the property is transferred to the Real Estate Division of the Department of Natural Resources, which performs an appraisal of the property, including a visual inspection. Upon completion of the appraisal, the DNR determines whether to keep the property for public use, return it to the local unit ownership, or to sell it off.

### D. Certified Special Residential Property

A local unit wishing to bring a speedier tax delinquency process to bear on abandoned residential properties may file an affidavit of "Certified Special Residential Property" in their community. This accelerated program is available only to cities over 25,000 in population. Any such certified properties, if they are returned as tax delinquent to the county treasurer, are subject to a one-year period of delinquency. Although comprehensive statistics are unavailable, it is unlikely that this program is used frequently (if at all), as local units must agree to forgo the reimbursement from the county delinquent tax revolving fund for affected properties.

### E. Delinquent Property Tax Process in Detroit

The City of Detroit does not send local portions of delinquent taxes to Wayne County for collection.[6] In accordance with the City Charter, local portions of delinquencies (partial tax payments are applied to local taxes first) are retained. Unpaid county taxes are subject to the same collection procedures as other Michigan counties.

#### *Detroit Tax Collections*

The local tax collection process in Detroit is similar to the typical county tax collection process, insofar as a tax delinquent property becomes subject to a lien after a specified time. Liens on City taxes are not offered for sale to the public, although the City Charter allows for it. This leaves the threat of a civil action by the City (judicial foreclosure) as the sole motivation for the taxpayer to resolve the delinquency. As discussed more fully in a report from the University of Michigan School of Public Policy, the City of Detroit offers monthly sales of city-foreclosed properties as a means of returning City-owned property to private ownership.[7]

#### *City and County Collection Rates*

One major finding of the report was that tax delinquent property owners were more likely to pay County taxes rather than City taxes. The study took a sample of eight commercial corridors throughout Detroit, and then further sampled 40 properties from each corridor for closer examination. According to the report:

> [W]ith the exception of Gratiot and West Vernor (two of the commercial corridors), if property owners choose to pay only city *or* county taxes, they are more likely to pay the county. This finding corroborates stories we heard from CBDOs (community-based development organizations) and other community members that taxpayers are less fearful that the City, as opposed to the County, will repossess due to tax delinquency. As a result, property owners are more likely to withhold payment of City taxes.[8]

Comprehensive evidence on delinquent property tax collections in Detroit is unavailable. According to the City Law Department, however, Detroit has a higher tax collection rate with City properties than does the County.

#### *The Michigan Tax Lien Sale and Collateralized Securities Act*

A set of State laws was passed in 1998 that allows Detroit to securitize tax liens. The Michigan Tax Lien Sale and Collateralized Securities Act, Public Act 379 of 1998, allows municipalities that do not return unpaid ad valorem taxes to the county to package delinquent tax liens into security instruments, and sell bonds backed by them. The Michigan Tax Lien and

[6] The City of Kalamazoo also retains local tax delinquencies for local collection.

[7] "Abandoned Commercial Property in Detroit," The University of Michigan School of Public Policy, April 1998.

[8] Ibid., p. 7.

Collateralized Securities Act allows Detroit and Kalamazoo to:

- Set up tax lien authorities that act as collection agencies for delinquent taxes;
- Purchase tax liens against local delinquencies as they become available;
- Purchase concomitant county tax liens, if any (to reduce the number of possible outstanding liens on city properties).

Any bonds sold against tax lien securities are capped at an interest (or discount) rate of 10 percent. The bonds are not a debt of the State or the issuing city, and are secured solely by the tax liens. Bond proceeds could be used to step up local tax collection efforts, specifically by hiring full-time collection staff at the delinquent tax authorities, or to hire private collection agencies, or both.

### *Community-Based Organizations*

Another major finding of the University of Michigan report is that community-based organizations throughout the City (who engage in significant redevelopment work) are not entitled to any codified advantage regarding the acquisition of tax reverted properties. This is unlike the practice in other cities, where community-based developers have a "first look" at tax delinquent properties for possible acquisition and redevelopment before they are offered to the public. Community, faith-based, and other nonprofit groups are often the only organizations engaged in new housing development in central cities, as little demand exists for market-driven new housing.

## III. Delinquent Property Tax Process Issues

### A. Economic Development Implications of Process Length

As indicated in **Chart 1**, up to three separate units of government may administer the delinquent property tax collection and reversion process. If the property fails to attract interest at tax sale, or if it is not sold by the State upon reversion, the entire process can take over five years until the State makes final disposition of it. In many cases, even at the close of the reversion process, the property is unfit for sale, as title insurance companies will not write policies against such properties. Leaving it up to the local units to find all possible claims against the property is time-consuming and expensive. Several other states have tax reversion systems that return delinquent property to the local unit much faster than Michigan's system (See "Selected State Practices" page 14).

### B. Preservation of Property Rights and Notice Requirements

The long administrative process serves a public policy end: It preserves the rights of property owners by allotting them a long time to pay delinquent taxes or redeem outstanding liens. Assuming that delinquent property owners are in the midst of financial hardship, it affords such owners ample time to raise the delinquent funds to avoid tax foreclosure or lien perfection.[9]

Additionally, the *Dow* decision strengthened the property rights of non-owners (typically renters or land contractees), by according reasonable notice requirements to unrecorded interests in the property. Before *Dow*, only recorded interests in the property had to be notified (by mail) of the impending title transfer to the State. Therefore, it is clear that, if a parcel's owner or taxpayer of record can't be found, as is often the case with abandoned properties, that the State or governmental agency may have to spend significant time and resources, pursuant to *Dow*, to find absent owners and all unrecorded interests.

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[9] During the Great Depression, tax lien sales were suspended, as well as penalties and interest on delinquent taxes, due to the high number of tax delinquent properties. According to Public Act 126 of 1933, almost one half of the acreage assessed for taxes in the state was returned as delinquent. This law allowed a ten-year payment horizon, free of interest and penalties, for delinquent property taxes.

### C. Tax Lien Sales

Although tax lien sales serve to effectively preserve owners' property rights, the general efficacy of the tax sale is under scrutiny, given that most unredeemed liens are never perfected. That is, most lien purchasers have no intention to eventually take control of the property, but rather are solely interested in the redemption of the taxes by the owner. If the owner never redeems the taxes, and the lien buyer never perfects the lien, then the property is bid off to the state.

As will be discussed, the tax sale is ineffective in many of the State's urban counties, because a high percentage of liens offered do not generate purchaser interest. In many urban counties, properties offered at tax sale are unattractive to buyers because they have a relatively low sale value to tax delinquency ratio.

The end result for both of these problems (unperfected and unsold liens) is the same: After sitting delinquent for two to three years, the property will revert to the state, where it will very likely languish for several more years, assuming the taxes are never redeemed.

### Arguments for Tax Sales in Current Form

***1. Liquid Real Estate Markets***. County tax sales have the effect of stimulating local real estate markets by compelling the transfer of property. Although it is estimated that about 80 percent of tax liens are redeemed,[10] and the property does not change hands, it is assumed that many tax delinquent properties are sold in advent of tax foreclosure, with sales proceeds used to satisfy tax delinquency(s). The very real threat of losing the property and equity to a lien purchaser creates a motivated seller, and hence a more active real estate market.

***2. Property Remains in the Hands of the Private Sector***. The current policy towards public tax sales has the effect of keeping private property in private hands. The sale encourages private speculation in tax delinquent property, before it is bid off to the state. If these properties were not offered for sale to private ownership, the state would become landlord on thousands of additional properties per year, adding significant administrative and insurance costs.

***3. Proceeds of Tax Sale Used to Reimburse Taxes to Local Units***. The tax sale gives the counties and local units a cash infusion to help offset the revenue loss due to delinquent taxes, and to pay obligations to their delinquent tax revolving fund. Even if only one half of the liens offered are actually sold (in 1998, 61 percent of those offered sold at tax sale statewide), the principal, interest and fees payable by the lien purchasers, in addition to delinquent tax payments by owners, serves to keep counties financially self-supporting with respect to delinquent taxes.

**Table 1**
**Number of Michigan Counties that Achieved Specified Levels of Liens Sold at Tax Sales, 1994-98**

| Tax Sale Rate | Achieved in this many counties (83 total): |
|---|---|
| 60 percent or greater | 63 |
| 70 percent or greater | 48 |
| 80 percent or greater | 27 |
| 90 percent or greater | 6 |

Source: Michigan Department of Treasury

***4. The Tax Sale Works for a Majority of Michigan Counties***. Using a 50 percent sales figure as an arbitrary benchmark of tax sale success, the current system is effective in 77 of Michigan's 83 counties over the 1994-98 period, but notably has been in decline over the same period. **Table 1** summarizes the tax sale success rates for Michigan counties.

### Arguments against Tax Sales in Current Form

*1. "**Interest Bid Down" Bidding Procedure Could be Changed to Enhance Tax Sale Revenue***. Michigan's current law governing tax lien sales mandates that the purchase price for all such liens is the amount of delinquent tax owed (including interest and administrative fees) on the property. If there is more than one offer to purchase the lien, then an "ownership interest

[10] Albert A. Bogdan, "The Delinquent Property Tax Collection Process," *Planning Michigan*, October 27, 1997.

bid down" bidding procedure is used to determine the purchaser. Alternatively, a bidding procedure that builds upon the tax sale price could be used, where the winning bid would pay a premium above the amount owed on the property. Such a procedure would serve to increase tax sale revenue, as premiums would be paid for tax liens on desirable properties. Further, this procedure would eliminate the random selection of tax lien purchasers.

***2. Tax Sale Can Lead to Inequitable Loss of Property.*** As previously discussed, a tax lien purchaser can perfect the tax lien to take possession if the property owner does not redeem the taxes. In so doing, the tax lien holder will be acquiring the deed to the property for the cost of the delinquent taxes and fees alone, often a small fraction of the owner's equity in the property. If the owner was delinquent on mortgage payments and was foreclosed on by the lender, the owner would receive the amount remaining after the property was sold to satisfy the delinquent mortgage. If a property is foreclosed on for taxes, or if a 100 percent ownership tax lien is perfected, there is no such recovery of residual equity by the owner.

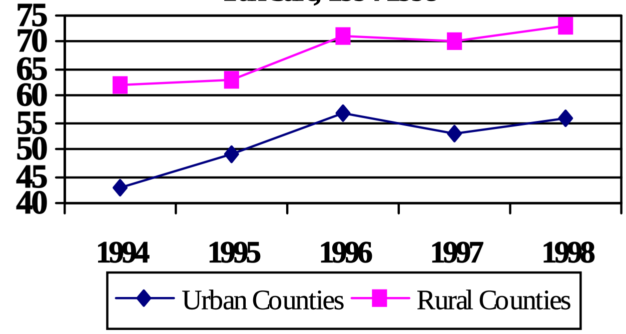
***3. Delinquent Revolving Tax Fund.*** In addition to the tax lien sale, counties have another resource, which they can access to compensate for tax revenue shortfalls. The delinquent revolving tax fund allows counties to borrow money to make up for the revenue shortfalls caused by delinquent taxes. It has been argued that the necessity of the tax sale is mitigated by the revolving tax fund available to counties.

***4. Counties May Attach to Personal Property for Collection of Delinquent Taxes.*** Public Act 202 of 1988 allows communities to attach the personal property of taxpayers for non-payment of property taxes. This provides another avenue for local units to recover lost revenue due to delinquent taxes. It is assumed that this statute is rarely used for the collection of delinquent taxes, because the seizure and auction of personal property to satisfy tax debts is an expensive undertaking by local units.

## D. Urban and Rural Impact

Countywide tax sale data in Michigan from 1994 to 1998 indicates that the tax reversion process may have a disparate impact on urban areas.[11] Collectively, rural counties sell a greater percentage of liens at tax sale than do urban counties. Relative to rural counties, urban counties have a greater proportion of tax delinquent properties that are bid off to the State, which effectively extends the time that local urban units wait in order for the property to be developed.[12]

**Chart 2**
**Percentage of Tax Liens Sold at Tax Sale, 1994-1998**




Source: Michigan Department of Treasury

As indicated in **Chart 2**, tax liens in rural counties sold at an average rate of 68 percent over the 1994-98 period, a rate 30 percent better than urban counties, which sold, on average, 52 percent of their liens over the same period.

**Table 2**
**Correlation Coefficients, Percentage of Liens Sold and Per Capita Property Value for Urban and Rural County Groupings in Michigan, 1994-98**

| | |
|---|---|
| All Counties (83) | .20 |
| Urban Counties (25) | .40 |
| Rural Counties (58) | .17 |
| Counties > 100,000 in population (20) | .56 |
| Counties > 100,000 in population, not including Wayne (19) | .57 |

Sources: Michigan Department of Treasury, United States Bureau of Census

[11] As defined herein, urban counties are those that are included in any of Michigan's nine Metropolitan Statistical Areas (MSAs) described by the U.S. Bureau of Census.

[12] It is worth noting, however, that on a per capita basis, properties in rural counties are offered for sale at a greater rate than properties in urban counties.

Further, as indicated in **Table 2,** there is a mild positive correlation, statewide, between a county's ability to sell a tax lien and that county's per capita (taxable) property value.[13] More importantly, the correlation coefficient between these two variables in urban areas represents an even stronger positive relationship.

The correlation coefficient expands for the State's twenty most populous counties (based on 1997 estimates), to .56. When Wayne County is excluded from this group, the coefficient rises to .57, thus dispelling the notion that it is acting as an outlier among the group.

The call for examination of delinquent tax procedures is necessitated by the evolution of divergent property values in urban and non-urban areas since the current system was enacted. Many older, urbanized areas in the state have become subject to severe disinvestment, which effectively drives down property values to the point where a delinquent parcel will become upside-down more quickly than a parcel in an area with higher property values.

This pattern is also observed among the entire class of urban counties. As **Table 3** indicates, Macomb County sold 89 percent of its tax liens from 1994-98, while the economically more mature Saginaw County sold 55 percent. Respective 1998 per capita property values in each county were $23,709 and $17,382.

This pattern holds in rural counties also. From 1994-98, Grand Traverse County sold 96 percent of its tax liens at tax sale. Over the same period, Lake County (one of the state's poorest in terms of property values) sold only 38 percent of its liens at tax sale, with the rest bid off to the state. Presumably, Grand Traverse County's success rate is attributable to the fact that it offers fewer upside-down properties than Lake County, although more research is required to validate this conclusion.[14]

[13] Correlation is a standardized statistical measure of interrelatedness between two variables. Correlation coefficients are represented on a -1.0 to 1.0 scale, with -1.0 indicating a perfect negative correlation, 0 indicating no correlation, and 1.0 indicating a perfect positive correlation. It is important to keep in mind that correlation does not establish statistical causation; rather it compares the tendency of two variables to move in tandem with or counter to each other.

Generally, economic development ventures in rural areas are less encumbered by the land acquisition process because there are usually fewer parcels of land to acquire. This is for two reasons: economic development projects are generally smaller in scope, and the parcels that need to be acquired are larger.

Significant preliminary evidence suggests that the current tax reversion structure is not in harmony with the redevelopment needs of urban areas. Further research that disaggregates countywide data into urban and rural classifications is required to establish this.

### E. Indistinct Procedures for Differing Classes of Property

Except for certified residential property (see page 6), all classes of property are treated in the same manner for the purposes of delinquent tax collection. There are no separate procedures for residential, commercial, or industrial property classifications. Additionally, it is significant that there is no separate procedure for abandoned property, as this is arguably the most important unofficial class of property for redevelopment purposes. This is because abandoned property will very likely lend to a pattern of devaluation and disinvestment of neighboring properties, irrespective of property classification.

One suggestion has been to allow for an accelerated tax reversion process for commercial, industrial, or abandoned property, and to leave intact the current provisions for occupied residential property. The advantage of this approach would be to developers (and local units who often work in their behalf) who typically seek to acquire commercial or industrial sites for their projects.

[14] Although it is tempting to suggest that the countywide data presented here can speak to the totality of circumstances pertaining to the reasons that individual parcels become delinquent, such a conclusion, known as an ecological fallacy, cannot be validly drawn. Further research, on a parcel-by-parcel basis, is required to establish (or invalidate) the conclusion that a greater percentage of rural rather than urban properties sell at county tax sales.

## Table 3 - Michigan Tax Lien Sale and Taxable Per Capita Property Values, by County, 1994-1998

| County (*urban) | Percentage of Liens Sold at Annual Sale, 1994-1998: Percent Sold | Statewide Rank | Per Capita Taxable Property Values, 1998: Per Capita Property Value | Statewide Rank | County (*urban) | Percentage of Liens Sold at Annual Sale, 1994-1998: Percent Sold | Statewide Rank | Per Capita Taxable Property Values, 1998: Per Capita Property Value | Statewide Rank |
|---|---|---|---|---|---|---|---|---|---|
| Alcona | 86% | 12 | $42,245 | 6 | Lake | 38% | 82 | $24,946 | 27 |
| Alger | 63% | 55 | $18,415 | 55 | Lapeer* | 84% | 20 | $20,081 | 42 |
| Allegan* | 75% | 32 | $22,691 | 33 | Leelanau | 71% | 41 | $60,132 | 1 |
| Alpena | 62% | 60 | $19,194 | 49 | Lenawee* | 85% | 15 | $19,519 | 47 |
| Antrim | 55% | 70 | $44,015 | 4 | Livingston* | 85% | 15 | $29,787 | 15 |
| Arenac | 50% | 76 | $20,713 | 39 | Luce | 44% | 79 | $14,986 | 76 |
| Baraga | 98% | 1 | $14,233 | 80 | Mackinac | 78% | 28 | $46,043 | 3 |
| Barry | 92% | 5 | $19,091 | 52 | Macomb* | 89% | 7 | $23,709 | 31 |
| Bay* | 73% | 37 | $18,503 | 54 | Manistee | 50% | 76 | $24,573 | 29 |
| Benzie | 86% | 12 | $36,436 | 7 | Marquette | 68% | 49 | $17,156 | 65 |
| Berrien* | 57% | 66 | $24,575 | 28 | Mason | 95% | 3 | $32,299 | 12 |
| Branch | 75% | 32 | $16,154 | 68 | Mecosta | 65% | 54 | $17,324 | 63 |
| Calhoun* | 70% | 47 | $16,588 | 67 | Menominee | 88% | 9 | $14,798 | 78 |
| Cass | 66% | 52 | $19,170 | 50 | Midland* | 63% | 55 | $33,949 | 9 |
| Charlevoix | 84% | 20 | $43,262 | 5 | Missaukee | 81% | 24 | $22,255 | 35 |
| Cheboygan | 55% | 70 | $30,980 | 14 | Monroe* | 77% | 30 | $29,245 | 17 |
| Chippewa | 71% | 41 | $15,824 | 73 | Montcalm | 71% | 41 | $15,621 | 74 |
| Clare | 57% | 66 | $19,565 | 46 | Montmorency | 70% | 47 | $31,815 | 13 |
| Clinton* | 78% | 28 | $19,606 | 45 | Muskegon* | 62% | 60 | $15,911 | 71 |
| Crawford | 66% | 52 | $26,160 | 22 | Newaygo | 73% | 37 | $17,168 | 64 |
| Delta | 93% | 4 | $18,038 | 58 | Oakland* | 85% | 15 | $33,485 | 10 |
| Dickinson | 75% | 32 | $19,656 | 44 | Oceana | 89% | 7 | $22,201 | 36 |
| Eaton* | 81% | 24 | $19,812 | 43 | Ogemaw | 58% | 65 | $22,449 | 34 |
| Emmet | 91% | 6 | $48,402 | 2 | Ontonagon | 45% | 78 | $18,139 | 56 |
| Genesee* | 61% | 62 | $17,030 | 66 | Osceola | 52% | 75 | $18,127 | 57 |
| Gladwin | 63% | 55 | $20,808 | 38 | Oscoda | 87% | 10 | $24,551 | 30 |
| Gogebic | 43% | 80 | $16,062 | 69 | Otsego | 55% | 70 | $35,468 | 8 |
| Grand Traverse | 96% | 2 | $28,942 | 19 | Ottawa* | 83% | 23 | $25,013 | 26 |
| Gratiot | 71% | 41 | $14,275 | 79 | Presque Isle | 57% | 66 | $25,576 | 24 |
| Hillsdale | 80% | 27 | $17,412 | 61 | Roscommon | 75% | 32 | $32,707 | 11 |
| Houghton | 61% | 62 | $10,951 | 83 | Saginaw* | 55% | 70 | $17,382 | 62 |
| Huron | 71% | 41 | $29,020 | 18 | Sanilac | 87% | 10 | $20,421 | 41 |
| Ingham* | 81% | 24 | $17,693 | 60 | Schoolcraft | 67% | 50 | $20,437 | 40 |
| Ionia | 74% | 36 | $13,476 | 82 | Shiawassee | 72% | 40 | $14,972 | 77 |
| Iosco | 63% | 55 | $27,243 | 21 | St. Clair* | 86% | 12 | $25,786 | 23 |
| Iron | 56% | 69 | $19,413 | 48 | St. Joseph | 73% | 37 | $17,955 | 59 |
| Isabella | 54% | 74 | $14,224 | 81 | Tuscola | 77% | 30 | $15,553 | 75 |
| Jackson* | 71% | 41 | $15,946 | 70 | Van Buren* | 59% | 64 | $19,109 | 51 |
| Kalamazoo* | 63% | 55 | $21,661 | 37 | Washtenaw* | 84% | 20 | $28,253 | 20 |
| Kalkaska | 85% | 15 | $29,457 | 16 | Wayne* | 17% | 83 | $15,861 | 72 |
| Kent* | 85% | 15 | $23,696 | 32 | Wexford | 67% | 50 | $18,562 | 53 |
| Keweenaw | 42% | 81 | $25,420 | 25 | **State of Michigan** | 56% | – | $22,022 | – |

**Source: Michigan Department of Treasury**

**Case Study – Tax Reverted Property Development in the City of Monroe**

The City of Monroe began a land assembly process in 1995 for a business district redevelopment project. The decision to proceed with the project was based, in part, on the fact that a major parcel in the site plan was a tax-reverted property owned by the state, and the city stood to gain the property deed if the taxes went unredeemed through September 1995. Property taxes had not been paid on the parcel since 1989.

After clearing the final period of notice provided by the state, the property was deeded to the City of Monroe with a quitclaim deed. Monroe was now charged with securing marketable title to the property before it could be sold to a developer. Although the City was the only known recorded interest, standard title work done on the parcel revealed 49 significant (but unrecorded) interests in the property, primarily descendents of the original tax delinquent owner. Monroe attempted to gain clear title by obtaining quitclaim deeds or default judgments from all of the unrecorded interests, and was successful in obtaining 48 of the 49 interests. The default judgments were obtained following quiet title actions initiated by the City. Presumably, these interests chose not to pursue their claims against the property because of the high costs associated with perfecting such a small ownership interest (payment of seven years of delinquent taxes, lien discharges). The possessor of the remaining 1/49$^{th}$ interest signed it over to a commercial tenant in the property, who, significantly, had not been paying rent. The tenant then tried to redeem the delinquent taxes, and was granted a hearing in circuit court on the matter. Although the circuit court did not allow the tenant to redeem the taxes and take possession, the court recognized the ownership interest, and ordered the property sold off, with proceeds split in accordance with ownership interests. At the time of the hearing, the property had been legally encumbered for over seven years, generating no local tax revenue. The matter was ultimately resolved when the last ownership interest agreed to sell their interest to the City, which ultimately was able to proceed with the development project.

While Monroe experienced what might be described as an extreme case of the vagaries of current tax reversion law, this example at least raises questions about the State's role in the reversion process.

An accelerated procedure for commercial, industrial or abandoned property could be easily achieved by using the "Certified Residential Property" model already on the books. Such certification allows local units to designate residential areas for accelerated property tax foreclosure–but at the expense of losing the reimbursement by the county for delinquent taxes. Expanding the scope of certification to include other classes of property such as commercial, industrial or abandoned would enhance a local unit's ability to return such property to the tax rolls. Of course, the "no reimbursement" penalty that currently runs with certified residential property would have to be removed to make such an expanded program worthwhile.

### F. Securing Marketable Title

Another problem that serves to aggravate local units' inability to redevelop tax-reverted properties is that many such properties have cloudy titles. Although State tax-reverted property is titled absolute in the State, it is not necessarily immune from legal challenges stemming from the *Dow* decision. As such, the State is not returning tax reverted property to the local units with insurable title, meaning marketable title.

A title insurance policy is a standard requirement of mortgage lenders before the sale of real property. By writing a policy, a title insurer promises to defend against any pre-existing legal claims against the property. If title insurance cannot be obtained, lenders will not lend money for the sale. Although state-reverted properties are titled in absolute to the state, title insurers often will not write policies on them, due to possible claims that remain, even after the *Dow* hearing. As explained in footnote five on page five, the legislature attempted to address this problem in Public Act 476 of 1996.

### G. Lack of Incentive for Local Units to Compel Tax Payment from Property Owner

In the current tax collection and delinquency system, the county is the collection agent for all delinquent property taxes. There is no onus on the local cities or townships to compel payments from delinquent owners, as local units are reimbursed from the county revolving fund. While economies of scale are achieved by designating the counties as collection agents for local units, such an arrangement (of automatic reimbursement) leaves local units with little impetus to return delinquent properties to the tax rolls more quickly.

# IV. Remedies

An improved tax delinquency and reversion system is required to facilitate a speedier return of tax delinquent properties to tax-current status. The ultimate objective is to strike the proper balance between owners' property rights and the redevelopment imperative facing local units, particularly those with flat or declining property values.

The failure of tax sales to serve as tax collection or redevelopment surrogates as effectively as they once did is evidenced by the declining rates of liens sold, especially in urban counties. If all properties that become available at tax sale were sound investment prospects (worth significantly more than the tax arrearage), then the tax sale would be effective. This is because all liens offered at tax sale would sell (theoretically), and no properties would be bid off to the State.

The following suggested remedies should not be considered as separate, discrete solutions to all of the problems associated with the tax reversion process in Michigan. Rather, each suggestion should be considered as just one step toward reform. The first set of remedies is organized in two classes: those that abolish tax sales, and those that amend them. Given that county tax sales, and the administrative procedures that flow from them, are probably the most significant inhibitor of tax delinquent property development, the following set of remedies is organized around them. The final two remedies relate to problems not directly associated with county tax sales.

## Proposed Remedies that Abolish Tax Lien Sales

### A. Eliminate Tax Sales and State Reversion for All Michigan Counties

Eliminating the tax lien sale in all counties and proceeding directly to foreclosure would shorten the tax delinquency process. Instead of offering the taxes for sale to the public, the county could judicially or administratively foreclose on the property after a specified time (preferably shorter than the current two to three-year period that tax delinquent property owners have to redeem taxes before they are bid to the State).

One suggestion has been that the county could foreclose on unpaid taxes 12 to 24 months after Settlement Day. This would provide the taxpayer adequate time to pay delinquent taxes or to sell the property to satisfy tax arrears. At the close of this period, the property could be offered to the local unit for county taxes due. If the local unit does not wish to buy it, it would become subject to a forced sale. Similar to mortgage foreclosures, sale proceeds would be applied to tax delinquencies, with remaining amounts, if any, paid to the original owner.

The main advantage of this approach is that the "stick" that compels the payment of delinquent taxes is retained: Just as the bulk of delinquent tax payments are made just before the tax sale, the threat of local foreclosure and property loss will similarly motivate delinquent property owners to pay their arrearage.

Elimination of the tax sale would reduce the potentially longer period of delinquency under the current system. With the title to the property never leaving county or local control, local development efforts would be less prone to being thwarted by a tax delinquent property that is years away from settlement of all claims upon it.

### B. Make Tax Sale Participation Voluntary

Given that the tax sale generates the sale of liens for a majority of properties in Michigan, a strong case could be made that the tax sale is an effective means of compelling tax payment from delinquent owners. As indicated in Appendix A, most Michigan counties sell a majority of their liens at tax sale, with the rest bid off to the State. However, preliminary evidence indicates that the cur-

**Selected State Practices**

*City of Cleveland/Cuyahoga County*

The City of Cleveland and Cuyahoga County offer a program that allows quick turnaround of selected tax delinquent properties. The Government Action on Urban Land Program allows the City of Cleveland to have first rights toward the acquisition of tax delinquent properties. After local judicial foreclosure of tax delinquent properties, the city may sell the properties at sub-market rates to community development organizations, or sell vacant parcels to adjacent property owners. The city may also land bank the property for future public or private uses.

*City of Philadelphia*

Philadelphia's Municipal Claims and Tax Liens Act was amended in 1992 to eliminate the right-of-redemption period for vacant property. Upon delinquency, the city will foreclose and then sell vacant property, allowing buyers to assume ownership immediately. Philadelphia does not offer liens against tax delinquent properties, but subjects the property to administrative foreclosure after the requisite period of delinquency. Vacant property is defined as being in such a condition for at least 90 days before the sale.

*State of Illinois*

The Illinois State Constitution of 1970 has been amended nine times since its adoption, with two of the amendments relating to delinquent county tax sales. A 1980 amendment shortened the redemption period for delinquent taxes on certain classes of property (Illinois has separate tax rates for property classes) that were more than five years delinquent. A 1990 amendment went much further in curtailing redemption rights: the six-month redemption period mandated by the 1980 amendment was changed to apply to properties delinquent for two years, instead of five.

*State of Indiana*

Indiana taxes become delinquent on July 1 subsequent to the tax year. While this is later than Michigan's March 1 delinquency date, Indiana offers any such delinquent taxes for sale at county auctions during the same year of delinquency, unlike Michigan, which allows over two years from delinquency until the tax sale.

Sources: "Abandoned Commercial Property in Detroit," *supra*; "Vacant Land in Philadelphia," The Philadelphia City Planning Commission, June 1995; The Civic Federation; The Hudson Institute; conversations with local officials.

rent tax sale system works best in counties with relatively high per capita property values, but declines in effectiveness as per capita property values decline. With the tax sale as an effective means of delinquent property disposal in many counties, one suggestion has been to make the tax sale voluntary by county.

The primary problem with making the county tax sale voluntary is that local units are reimbursed by counties for delinquent taxes out of the revolving tax fund, which is funded, in part, by proceeds from the tax sale. Consequently, local units would have to be guaranteed the quick recovery of unpaid property taxes they now enjoy from the delinquent tax revolving fund, which gets much of its revenue from the tax sale.

## Proposed Remedies that Retain Tax Lien Sales

### C. Restructure Tax Sales to Enhance Local Revenue and Increase Sales Volume

Instead of the current "interest bid down" tax sale procedure, where competing interests for the same tax lien must bid in successively declining ownership interests if the lien is perfected, the same competing interests could simply bid in a conventional fashion. With the tax delinquency as the opening bid, competing interests would bid progressively upward in dollars–with the highest bid retaining a 100 percent ownership interest if the lien is perfected. The winning bid, by paying a premium on the lien, is now subject to more risk regarding the investment quality of the lien. If the owner redeems soon after the tax sale, the lien buyer will only stand to gain the delinquent taxes, penalties and interest–not necessarily the amount paid for the lien.

There are two advantages to the "lien bid up" procedure. The first is that it will enhance county and local revenue from the tax sale, a benefit to county and local taxpayers. Second, it will eliminate the awkward "interest bid down" sale procedure, which, in some Michigan counties, is not a true bidding process.

The main disadvantages of the lien bid up procedure are to the speculative lien buyers and to the county administration hosting the sales. Lien buyers will necessarily bid up the price of tax liens beyond their par value–and possibly have less incentive to take part in tax sales, since the potential for above-market investment returns would be diminished. The county administration would be disadvantaged by having to structure the sale like a conventional auction, which presumably would be more costly to administer than the current method in some populous counties (see page 4 for a description of the current method).

Because the lien bid up procedure would only be effective for desirable properties (those worth significantly more than the delinquent taxes owed), an alternative system is necessary to dispose of those properties that do not attract interest at the standard opening bid. One option is to sell the tax liens at a discounted rate to speculators. For instance, if a lien does not attract interest at face value, it could be offered for sale for less than its actual cost. The current system permits the sale of the lien only if the buyer is willing to pay the entire arrearage, including interest, fees, and penalties. This system works well if the property is worth more than the arrearage, but doesn't work at all if the property is upside-down with respect to taxes.

### D. Restructure Tax Sales to Compel Property Ownership

A method to compel lien buyers to take possession and improve tax delinquent property is needed to prevent the problem of unperfected liens. Under the current system, the lien buyer is sent the tax deed one year after the tax sale, with which they may eventually file notice to perfect their ownership interest and take possession. Unless the property is particularly desirable, the tax lien purchaser will not perfect the lien, and the property remains vacant, and progresses toward State ownership.

In order to compel lien buyers to improve the property, the General Property Tax Act could be amended to:

- Require tax lien buyers to post a bond with the county to insure that such buyers perfect the lien and assume ownership if the taxes are not redeemed. The bond would be returned if either the taxes are redeemed or the buyer perfects the lien;

- Instead of sending tax lien buyers a tax deed at the close of the one-year period after the tax sale, the lien buyers could have the title automatically vest in their name (following judicial foreclosure), and thereby become taxpayers of record on the property, thus exposing them to liability for unpaid taxes.

Both of these proposals would have a similar effect at tax sales: they would attract interest only from bidders who are interested in the investment possibilities of tax liens *and* are willing to become owners if the taxes are not redeemed. It is probably safe to say that the enactment of either of these proposals would cause a decline in overall interest at tax sales, due to the increased liability (possible future ownership) incurred by tax lien purchasers. These proposals would, however, eliminate the problem of unperfected liens for those properties that sell at tax sale.

Of course, neither of these proposals would have any effect on properties deemed undesirable by tax lien buyers under the current system.

### E. County Foreclosure for those Properties that Fail to Attract Interest at Tax Sale

For properties that fail to attract interest at tax sale, a simple solution is to allow for county foreclosure on such properties, as described in remedy "A" above. This can be achieved by changing existing laws that mandate State reversion for delinquent properties that are not redeemed. Instead of bidding off such properties to the State, the delinquent property could become subject to county administrative or judicial foreclosure, requiring a change in the General Property Tax Act (currently counties may not foreclose on tax delinquent properties). Upon foreclosure, the county could either sell the property outright, or retain it in a countywide land bank, accessible only to local units or community groups.

## Proposed Remedies Not Specifically Related to Tax Sales

### F. Preferential Treatment for Community Groups and Adjacent Landowners

Other than Certified Special Residential properties, there is no provision that allows local units, or the community groups therein, to have a "first look" at the possible purchase of tax delinquent properties for potential acquisition. Such a provision would enhance the chances of getting tax delinquent properties back on the tax rolls, as community groups engaged in redevelopment would not have to compete with masses of lien speculators, who rarely intend to actually take possession of the property. Although there are several programs that assist community groups in identifying tax delinquent properties available for sale, there are no statutory preferences that allow community groups to have a first look at tax reverted properties.

Last, for residential properties, adjacent property owners could be accorded preferential sales treatment for tax liens or tax-foreclosed properties. Arguably, adjacent owners have the greatest stake in keeping the property viable and their neighborhood stable.

### G. Securing Marketable Title

Short of a state or federal court ruling on the constitutional questions raised by the *Dow* decision and subsequent state statutes that codify *Dow*, it is unlikely that tax-reverted property will ever shed its current clouded-title status. That said, the State or local units could take steps to protect against the possibility that hidden interests will emerge after the property is conveyed to the local unit. Specifically, the State could initiate quiet title actions against all significant interests as described (but not defined by) *Dow*. The State, in order to minimize the likelihood of the emergence of hidden interests, would have to attempt to find all unrecorded interests, an expensive and time consuming task. After the search for unrecorded interests, the State would have to buy all such interests (and obtain quitclaim deeds from), another potentially expensive exercise.

## V. Conclusion

Michigan's tax delinquency and reversion process is a hodgepodge of common law legal ramifications, state statutes, and local charter provisions. Collectively, these factors contribute to an untenably long process for many tax delinquent properties, particularly those with low sale value. Therefore, tens of thousands of properties exist statewide that are, for all intents and purposes, not developable.

Any effort to reform the tax delinquency collection and reversion process must consider the property rights of tax delinquent owners, the positive and negative effects of county tax sales, and the State's role in the reversion process. Reform efforts should also consider the effect that tax delinquent properties have on urban areas, the effects of tax delinquent properties that are not sold at tax sale, and the lack of incentive for local units to change the system.

Local units that do take the initiative to develop tax-reverted property have their work cut out for them. If the State makes the property available to the local unit, problems with property title persist, preventing the acquisition of necessary title insurance. Although the local unit may act to clear up title problems, such action is expensive and time-consuming, insofar as the local unit must search for–then secure property rights from–all significant interests.

**Appendix A - 1994-98 Property Tax Sales by County**

| County (*urban) | 1994 | | | 1995 | | | 1996 | | | 1997 | | | 1998 | | | 1994-1998 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Parcels Offered | Parcels Sold | Percent Sold | Parcels Offered | Parcels Sold | Percent Sold | Parcels Offered | Parcels Sold | Percent Sold | Parcels Offered | Parcels Sold | Percent Sold | Parcels Offered | Parcels Sold | Percent Sold | Parcels Offered | Parcels Sold | Percent Sold |
| Alcona | 164 | 123 | 75% | 193 | 132 | 68% | 137 | 126 | 92% | 137 | 137 | 100% | 166 | 166 | 100% | 797 | 684 | 86% |
| Alger | 165 | 108 | 65% | 181 | 51 | 28% | 166 | 79 | 48% | 171 | 141 | 82% | 159 | 149 | 94% | 842 | 528 | 63% |
| Allegan* | 740 | 521 | 70% | 647 | 501 | 77% | 599 | 493 | 82% | 588 | 471 | 80% | 600 | 397 | 66% | 3,174 | 2,383 | 75% |
| Alpena | 260 | 144 | 55% | 230 | 137 | 60% | 239 | 160 | 67% | 203 | 123 | 61% | 202 | 138 | 68% | 1,134 | 702 | 62% |
| Antrim | 654 | 287 | 44% | 595 | 314 | 53% | 635 | 324 | 51% | 464 | 305 | 66% | 417 | 287 | 69% | 2,765 | 1,517 | 55% |
| Arenac | 333 | 138 | 41% | 242 | 112 | 46% | 258 | 148 | 57% | 191 | 118 | 62% | 200 | 96 | 48% | 1,224 | 612 | 50% |
| Baraga | 118 | 116 | 98% | 136 | 127 | 93% | 95 | 95 | 100% | 96 | 96 | 100% | 86 | 85 | 99% | 531 | 519 | 98% |
| Barry | 240 | 210 | 88% | 243 | 207 | 85% | 236 | 217 | 92% | 184 | 183 | 99% | 152 | 152 | 100% | 1,055 | 969 | 92% |
| Bay* | 730 | 411 | 56% | 627 | 437 | 70% | 565 | 447 | 79% | 540 | 452 | 84% | 452 | 388 | 86% | 2,914 | 2,135 | 73% |
| Benzie | 132 | 114 | 86% | 128 | 102 | 80% | 152 | 114 | 75% | 110 | 110 | 100% | 105 | 99 | 94% | 627 | 539 | 86% |
| Berrien* | 1,211 | 429 | 35% | 1,202 | 641 | 53% | 1,224 | 755 | 62% | 1,135 | 800 | 70% | 1,186 | 789 | 67% | 5,958 | 3,414 | 57% |
| Branch | 270 | 196 | 73% | 255 | 160 | 63% | 226 | 172 | 76% | 210 | 156 | 74% | 191 | 180 | 94% | 1,152 | 864 | 75% |
| Calhoun* | 917 | 500 | 55% | 939 | 659 | 70% | 833 | 599 | 72% | 832 | 629 | 76% | 793 | 620 | 78% | 4,314 | 3,007 | 70% |
| Cass | 352 | 195 | 55% | 349 | 208 | 60% | 332 | 242 | 73% | 364 | 232 | 64% | 308 | 241 | 78% | 1,705 | 1,118 | 66% |
| Charlevoix | 265 | 182 | 69% | 251 | 219 | 87% | 188 | 149 | 79% | 247 | 218 | 88% | 208 | 208 | 100% | 1,159 | 976 | 84% |
| Cheboygan | 328 | 177 | 54% | 381 | 151 | 40% | 332 | 180 | 54% | 304 | 189 | 62% | 263 | 186 | 71% | 1,608 | 883 | 55% |
| Chippewa | 477 | 306 | 64% | 490 | 331 | 68% | 475 | 359 | 76% | 392 | 292 | 74% | 386 | 278 | 72% | 2,220 | 1,566 | 71% |
| Clare | 648 | 383 | 59% | 661 | 382 | 58% | 603 | 328 | 54% | 558 | 310 | 56% | 507 | 300 | 59% | 2,977 | 1,703 | 57% |
| Clinton* | 267 | 192 | 72% | 234 | 165 | 71% | 240 | 201 | 84% | 226 | 190 | 84% | 186 | 146 | 78% | 1,153 | 894 | 78% |
| Crawford | 271 | 184 | 68% | 331 | 222 | 67% | 245 | 181 | 74% | 244 | 144 | 59% | 231 | 144 | 62% | 1,322 | 875 | 66% |
| Delta | 292 | 229 | 78% | 300 | 288 | 96% | 284 | 273 | 96% | 218 | 218 | 100% | 204 | 203 | 100% | 1,298 | 1,211 | 93% |
| Dickinson | 113 | 71 | 63% | 148 | 98 | 66% | 141 | 121 | 86% | 158 | 124 | 78% | 142 | 113 | 80% | 702 | 527 | 75% |
| Eaton* | 283 | 220 | 78% | 264 | 191 | 72% | 237 | 198 | 84% | 224 | 204 | 91% | 203 | 170 | 84% | 1,211 | 983 | 81% |
| Emmet | 223 | 170 | 76% | 215 | 192 | 89% | 167 | 165 | 99% | 159 | 159 | 100% | 278 | 260 | 94% | 1,042 | 946 | 91% |
| Genesee* | 3,766 | 1,601 | 43% | 3,908 | 1,926 | 49% | 3,663 | 2,624 | 72% | 3,530 | 2,337 | 66% | 3,817 | 2,817 | 74% | 18,684 | 11,305 | 61% |
| Gladwin | 435 | 270 | 62% | 458 | 247 | 54% | 389 | 276 | 71% | 368 | 246 | 67% | 376 | 243 | 65% | 2,026 | 1,282 | 63% |
| Gogebic | 361 | 129 | 36% | 310 | 144 | 46% | 297 | 147 | 49% | 290 | 134 | 46% | 354 | 146 | 41% | 1,612 | 700 | 43% |
| Grand Travers | 328 | 305 | 93% | 336 | 307 | 91% | 310 | 309 | 100% | 287 | 287 | 100% | 230 | 230 | 100% | 1,491 | 1,438 | 96% |
| Gratiot | 239 | 168 | 70% | 237 | 144 | 61% | 216 | 172 | 80% | 187 | 146 | 78% | 148 | 95 | 64% | 1,027 | 725 | 71% |
| Hillsdale | 421 | 285 | 68% | 417 | 282 | 68% | 391 | 338 | 86% | 389 | 351 | 90% | 292 | 281 | 96% | 1,910 | 1,537 | 80% |
| Houghton | 510 | 277 | 54% | 399 | 260 | 65% | 375 | 238 | 63% | 392 | 252 | 64% | 368 | 230 | 63% | 2,044 | 1,257 | 61% |
| Huron | 157 | 103 | 66% | 138 | 44 | 32% | 141 | 119 | 84% | 147 | 130 | 88% | 140 | 115 | 82% | 723 | 511 | 71% |
| Ingham* | 1,284 | 918 | 71% | 1,151 | 855 | 74% | 932 | 816 | 88% | 730 | 634 | 87% | 715 | 662 | 93% | 4,812 | 3,885 | 81% |
| Ionia | 215 | 150 | 70% | 225 | 168 | 75% | 215 | 181 | 84% | 186 | 131 | 70% | 128 | 87 | 68% | 969 | 717 | 74% |
| Iosco | 274 | 153 | 56% | 295 | 199 | 67% | 302 | 193 | 64% | 298 | 200 | 67% | 300 | 178 | 59% | 1,469 | 923 | 63% |
| Iron | 207 | 118 | 57% | 168 | 79 | 47% | 199 | 113 | 57% | 137 | 76 | 55% | 142 | 94 | 66% | 853 | 480 | 56% |
| Isabella | 329 | 219 | 67% | 566 | 184 | 33% | 265 | 205 | 77% | 230 | 154 | 67% | 166 | 82 | 49% | 1,556 | 844 | 54% |
| Jackson* | 1,270 | 730 | 57% | 1,181 | 885 | 75% | 1,134 | 839 | 74% | 910 | 667 | 73% | 940 | 749 | 80% | 5,435 | 3,870 | 71% |
| Kalamazoo* | 1,075 | 529 | 49% | 1,113 | 610 | 55% | 972 | 673 | 69% | 882 | 603 | 68% | 781 | 623 | 80% | 4,823 | 3,038 | 63% |
| Kalkaska | 249 | 157 | 63% | 271 | 196 | 72% | 325 | 307 | 94% | 255 | 250 | 98% | 218 | 215 | 99% | 1,318 | 1,125 | 85% |

## Appendix A - 1994-98 Property Tax Sales by County

| | 1994 | | | 1995 | | | 1996 | | | 1997 | | | 1998 | | | 1994-1998 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***County*** ***(*urban)*** | ***Parcels Offered*** | ***Parcels Sold*** | ***Percent Sold*** | ***Parcels Offered*** | ***Parcels Sold*** | ***Percent Sold*** | ***Parcels Offered*** | ***Parcels Sold*** | ***Percent Sold*** | ***Parcels Offered*** | ***Parcels Sold*** | ***Percent Sold*** | ***Parcels Offered*** | ***Parcels Sold*** | ***Percent Sold*** | ***Parcels Offered*** | ***Parcels Sold*** | ***Percent Sold*** |
| Kent* | 2,364 | 1,840 | 78% | 2,368 | 1,920 | 81% | 2,319 | 2,124 | 92% | 1,979 | 1,710 | 86% | 1,693 | 1,560 | 92% | 10,723 | 9,154 | 85% |
| Keweenaw | 19 | 6 | 32% | 18 | 5 | 28% | 13 | 2 | 15% | 22 | 9 | 41% | 18 | 16 | 89% | 90 | 38 | 42% |
| Lake | 1,110 | 403 | 36% | 1,060 | 369 | 35% | 969 | 300 | 31% | 977 | 400 | 41% | 773 | 373 | 48% | 4,889 | 1,845 | 38% |
| Lapeer* | 399 | 337 | 84% | 408 | 320 | 78% | 284 | 248 | 87% | 280 | 248 | 89% | 303 | 253 | 83% | 1,674 | 1,406 | 84% |
| Leelanau | 115 | 114 | 99% | 105 | 104 | 99% | 101 | 100 | 99% | 323 | 107 | 33% | 112 | 111 | 99% | 756 | 536 | 71% |
| Lenawee* | 271 | 196 | 72% | 310 | 226 | 73% | 247 | 238 | 96% | 229 | 221 | 97% | 210 | 190 | 90% | 1,267 | 1,071 | 85% |
| Livingston* | 605 | 477 | 79% | 535 | 470 | 88% | 501 | 390 | 78% | 401 | 397 | 99% | 369 | 307 | 83% | 2,411 | 2,041 | 85% |
| Luce | 64 | 28 | 44% | 84 | 45 | 54% | 73 | 61 | 84% | 186 | 36 | 19% | 61 | 37 | 61% | 468 | 207 | 44% |
| Mackinac | 172 | 121 | 70% | 187 | 130 | 70% | 155 | 144 | 93% | 159 | 125 | 79% | 144 | 115 | 80% | 817 | 635 | 78% |
| Macomb* | 1,813 | 1,453 | 80% | 1,593 | 1,370 | 86% | 1,519 | 1,371 | 90% | 1,522 | 1,466 | 96% | 1,485 | 1,382 | 93% | 7,932 | 7,042 | 89% |
| Manistee | 256 | 132 | 52% | 244 | 142 | 58% | 367 | 191 | 52% | 455 | 141 | 31% | 199 | 158 | 79% | 1,521 | 764 | 50% |
| Marquette | 473 | 291 | 62% | 422 | 264 | 63% | 435 | 306 | 70% | 374 | 304 | 81% | 483 | 323 | 67% | 2,187 | 1,488 | 68% |
| Mason | 236 | 199 | 84% | 210 | 197 | 94% | 231 | 228 | 99% | 193 | 193 | 100% | 179 | 179 | 100% | 1,049 | 996 | 95% |
| Mecosta | 304 | 183 | 60% | 313 | 191 | 61% | 317 | 217 | 68% | 294 | 194 | 66% | 227 | 155 | 68% | 1,455 | 940 | 65% |
| Menominee | 322 | 238 | 74% | 265 | 207 | 78% | 241 | 236 | 98% | 209 | 209 | 100% | 210 | 203 | 97% | 1,247 | 1,093 | 88% |
| Midland* | 352 | 296 | 84% | 369 | 308 | 83% | 302 | 302 | 100% | 1,103 | 307 | 28% | 339 | 339 | 100% | 2,465 | 1,552 | 63% |
| Missaukee | 174 | 154 | 89% | 191 | 131 | 69% | 179 | 138 | 77% | 171 | 138 | 81% | 150 | 141 | 94% | 865 | 702 | 81% |
| Monroe* | 499 | 333 | 67% | 452 | 330 | 73% | 423 | 320 | 76% | 372 | 321 | 86% | 326 | 283 | 87% | 2,072 | 1,587 | 77% |
| Montcalm | 505 | 409 | 81% | 532 | 391 | 73% | 476 | 359 | 75% | 463 | 279 | 60% | 443 | 275 | 62% | 2,419 | 1,713 | 71% |
| Montmorency | 127 | 71 | 56% | 112 | 73 | 65% | 128 | 97 | 76% | 120 | 91 | 76% | 118 | 92 | 78% | 605 | 424 | 70% |
| Muskegon* | 1,625 | 780 | 48% | 1,800 | 1,065 | 59% | 1,686 | 1,066 | 63% | 1,395 | 960 | 69% | 1,243 | 944 | 76% | 7,749 | 4,815 | 62% |
| Newaygo | 966 | 643 | 67% | 923 | 647 | 70% | 817 | 619 | 76% | 850 | 651 | 77% | 798 | 636 | 80% | 4,354 | 3,196 | 73% |
| Oakland* | 5,240 | 3,628 | 69% | 4,178 | 3,558 | 85% | 4,304 | 3,967 | 92% | 4,036 | 3,683 | 91% | 4,092 | 3,681 | 90% | 21,850 | 18,517 | 85% |
| Oceana | 386 | 340 | 88% | 456 | 370 | 81% | 424 | 353 | 83% | 372 | 359 | 97% | 385 | 371 | 96% | 2,023 | 1,793 | 89% |
| Ogemaw | 299 | 145 | 48% | 312 | 170 | 54% | 309 | 180 | 58% | 316 | 189 | 60% | 315 | 209 | 66% | 1,551 | 893 | 58% |
| Ontonagon | 107 | 58 | 54% | 131 | 56 | 43% | 103 | 40 | 39% | 148 | 68 | 46% | 110 | 45 | 41% | 599 | 267 | 45% |
| Osceola | 219 | 135 | 62% | 190 | 87 | 46% | 238 | 109 | 46% | 212 | 114 | 54% | 235 | 123 | 52% | 1,094 | 568 | 52% |
| Oscoda | 152 | 112 | 74% | 133 | 133 | 100% | 131 | 118 | 90% | 156 | 120 | 77% | 168 | 160 | 95% | 740 | 643 | 87% |
| Otsego | 337 | 137 | 41% | 394 | 228 | 58% | 355 | 267 | 75% | 443 | 266 | 60% | 545 | 245 | 45% | 2,074 | 1,143 | 55% |
| Ottawa* | 580 | 400 | 69% | 565 | 537 | 95% | 544 | 393 | 72% | 435 | 419 | 96% | 410 | 366 | 89% | 2,534 | 2,115 | 83% |
| Presque Isle | 349 | 180 | 52% | 299 | 200 | 67% | 264 | 201 | 76% | 263 | 113 | 43% | 225 | 101 | 45% | 1,400 | 795 | 57% |
| Roscommon | 389 | 232 | 60% | 385 | 264 | 69% | 327 | 268 | 82% | 289 | 256 | 89% | 285 | 244 | 86% | 1,675 | 1,264 | 75% |
| Saginaw* | 1,433 | 485 | 34% | 1,474 | 698 | 47% | 1,465 | 839 | 57% | 1,436 | 896 | 62% | 1,568 | 1,108 | 71% | 7,376 | 4,026 | 55% |
| Sanilac | 381 | 278 | 73% | 360 | 264 | 73% | 260 | 260 | 100% | 254 | 254 | 100% | 232 | 232 | 100% | 1,487 | 1,288 | 87% |
| Schoolcraft | 688 | 398 | 58% | 655 | 458 | 70% | 135 | 113 | 84% | 119 | 96 | 81% | 137 | 93 | 68% | 1,734 | 1,158 | 67% |
| Shiawassee | 303 | 159 | 52% | 328 | 230 | 70% | 328 | 253 | 77% | 288 | 247 | 86% | 294 | 219 | 74% | 1,541 | 1,108 | 72% |
| St. Clair* | 248 | 201 | 81% | 307 | 230 | 75% | 620 | 519 | 84% | 515 | 464 | 90% | 457 | 441 | 96% | 2,147 | 1,855 | 86% |
| St. Joseph | 120 | 81 | 68% | 156 | 117 | 75% | 310 | 201 | 65% | 254 | 201 | 79% | 259 | 206 | 80% | 1,099 | 806 | 73% |
| Tuscola | 355 | 238 | 67% | 395 | 236 | 60% | 443 | 327 | 74% | 289 | 263 | 91% | 307 | 307 | 100% | 1,789 | 1,371 | 77% |
| Van Buren* | 763 | 393 | 52% | 880 | 419 | 48% | 717 | 472 | 66% | 680 | 464 | 68% | 683 | 434 | 64% | 3,723 | 2,182 | 59% |

**Appendix A - 1994-98 Property Tax Sales by County**

| County (*urban) | 1994 Parcels Offered | 1994 Parcels Sold | 1994 Percent Sold | 1995 Parcels Offered | 1995 Parcels Sold | 1995 Percent Sold | 1996 Parcels Offered | 1996 Parcels Sold | 1996 Percent Sold | 1997 Parcels Offered | 1997 Parcels Sold | 1997 Percent Sold | 1998 Parcels Offered | 1998 Parcels Sold | 1998 Percent Sold | 1994-1998 Parcels Offered | 1994-1998 Parcels Sold | 1994-1998 Percent Sold |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Washtenaw* | 966 | 693 | 72% | 795 | 672 | 85% | 771 | 674 | 87% | 663 | 563 | 85% | 621 | 609 | 98% | 3,816 | 3,211 | 84% |
| Wayne* | 16,171 | 1,942 | 12% | 15,727 | 2,303 | 15% | 15,258 | 2,892 | 19% | 17,615 | 3,420 | 19% | 17,445 | 3,695 | 21% | 82,216 | 14,252 | 17% |
| Wexford | 379 | 268 | 71% | 410 | 259 | 63% | 334 | 230 | 69% | 323 | 230 | 71% | 310 | 194 | 63% | 1,756 | 1,181 | 67% |
| **Urban County Totals** | **44,872** | **19,505** | **43%** | **43,027** | **21,296** | **49%** | **41,359** | **23,460** | **57%** | **42,258** | **22,526** | **53%** | **40,917** | **22,953** | **56%** | **212,433** | **109,740** | **52%** |
| **Urban County Totals Excluding Wayne** | **28,701** | **17,563** | **61%** | **27,300** | **18,993** | **70%** | **26,101** | **20,568** | **79%** | **24,643** | **19,106** | **78%** | **23,472** | **19,258** | **82%** | **130,217** | **95,488** | **73%** |
| **Rural County Totals** | **18,337** | **11,420** | **62%** | **18,419** | **11,655** | **63%** | **16,799** | **11,949** | **71%** | **16,098** | **11,265** | **70%** | **14,789** | **10,844** | **73%** | **84,442** | **57,133** | **68%** |
| **Totals** | **63,209** | **30,925** | **49%** | **61,446** | **32,951** | **54%** | **58,158** | **35,409** | **61%** | **58,356** | **33,791** | **58%** | **55,706** | **33,797** | **61%** | **296,875** | **166,873** | **56%** |

Source: Michigan Department of Treasury, The Hudson Institute