



MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS
ROOM 605, COUNTY COURTHOUSE
1021 S.W. FOURTH AVENUE
PORTLAND, OREGON 97204

GLADYS McCOY • Chair • 248-3308
PAULINE ANDERSON • District 1 • 248-5220
GRETCHEN KAFOURY • District 2 • 248-5219
CAROLINE MILLER • District 3 • 248-5217
POLLY CASTERLINE • District 4 • 248-5213
JANE McGARVIN • Clerk • 248-3277

N O T I C E

STRATEGIC PLANNING COMMITTEE MEETING MULTNOMAH COUNTY COURTHOUSE - ROOM 602

Monday, May 16, 1988 - 9:00 am

AGENDA

Members: Gladys McCoy, Chair; Commissioner Pauline Anderson;
Sheriff Fred Pearce; Duane Zussy, DHS Director; Merlin Reynolds, CIC
Director.

1. Initial Strategic Planning - introduction of concept and explanation of proposed process
2. Foreclosed Property/Tax Title Unit

0318C.02
0345C.31



Multnomah County Sheriff's Office

12240 N.E. GLISAN ST., PORTLAND, OREGON 97230

FRED B. PEARCE
SHERIFF

(503) 255-3600

APR 15 1988

MEMORANDUM

TO: COMMISSIONER GLADYS MCCOY, Chair
COMMISSIONER CAROLINE MILLER

cc: Commissioner Gretchen Kafoury
Commissioner Pauline Anderson
Commissioner Polly Casterline

FROM: FRED B. PEARCE
Sheriff *Fred*

DATE: April 12, 1988

SUBJECT: TAX TITLE UNIT
LOCATION WITHIN COUNTY ORGANIZATION

I propose that the Tax Title Unit be transferred from the Sheriff's Office to Facilities Management.

Oregon Law does not require that the Sheriff administer the functions of a Tax Foreclosed Property Unit. It only requires that the Sheriff conduct the sale. The Sheriff's Civil Division routinely conducts sales and would be able to absorb this function without additional resources.

Such transfer would reduce fragmentation of property management functions and facilitate communication on such issues as use of the property for rights of way, parks, and easements.

It appears this is the only county in Oregon in which the tax foreclosed property management function is assigned to the Sheriff. In other counties, the Sheriff only handles the sale.

Changes in the dimension and complexity of the tax title function have occurred since its transfer to the Sheriff's Office and the inventory of unsold properties has grown much larger.

Wherever the unit is placed, I propose a staff increase to deal with recent growth in inventory and to reduce liability exposure. A specific proposal on the budget increase has been sent to you separately.

FBP/tjb/2323A



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MEMORANDUM

TO: COMMISSIONER GLADYS MCCOY, Chair
COMMISSIONER CAROLINE MILLER

FROM: FRED B. PEARCE
Sheriff

DATE: April 8, 1988

SUBJECT: TAX TITLE UNIT
INCREASE IN BUDGET

The growth in the Tax Title Unit inventory of properties, with its opportunities for increased revenue production, and the exposure to liability, has caused a need for an increase in the size of the unit.

I proposed the unit size be increased from 2 to 5 people for a period of one year. For the ensuing years I propose the unit be staffed by 4 employees.

The goal of this proposal is to sell 90% of the 500 most saleable properties in our inventory the first year of the staff increase; reduce our liability exposure and expedite the flow of properties to public use when the Board of County Commissioners feels such use is appropriate.

The goal for ensuing years is to sell new inventory quickly and keep contract collections current.

An additional problem which is new to the Tax Title Unit will also need to be addressed: Obtaining clear titles to property now in our inventory. A court decision, Seafirst Bank vs. Umatilla County, has resulted in the need for title searches and a notification process of former lien and interest holders.

All Tax Title Unit expenses are paid for by revenue produced and does not deplete the General Fund. Revenue produced is turned over to the taxing entities of the county. Multnomah County receives approximately 13% of the total revenue after expenses are deducted.

We project that if an investment is made in increasing the resources of the Tax Title Unit, (said investment being at no cost to the General Fund) revenue produced will, on the average, more than triple the amount of the increased resources.

PROJECTED REVENUE/COST COMPARISON (ESTIMATED)

I.	<u>87/88</u>	
	Income	\$515,250 (1)
	Expenses	114,000 (2)
	"Profit" (turnover)	401,250
	Multnomah County Share (13%)	52,162
II.	<u>88/89</u>	
	Income	\$1,013,000
	Expenses	285,964 (3)
	"Profit"	727,036
	Multnomah County Share	94,515
III.	<u>Ensuing Years Average</u>	
	Income	\$1,055,148
	Expenses	174,788
	"Profit"	880,360
	Multnomah County Share	114,447

Footnotes

(1) Includes estimate of actual revenue produced in FY 87/88. Does not include turnover made in 87/88 of revenue produced in previous fiscal year.

(2) The expenses of the Tax Title Unit each year include an amount used for maintenance. In FY 87/88 it is \$40,000.

This is not within the ability of the Unit to control. It is for removing debris, brush, securing empty buildings, etc.

(3) The expenses this year include a new mandated cost to do title searches (SeaFirst Bank vs. Umatilla County). We estimate \$37,500 will be spent on that. Also included are one time only computer, appraiser and one temporary OA II costs.

NOTES ON HOW CALCULATIONS WERE MADE

I. Income for FY 87/88

1. Actual sales for year	\$299,250 (1)
2. Contract payments received from previous sales at average 18,000 per month	<u>216,000</u>
TOTAL	\$515,250

(1) AS OF 4/1/88

42 Cash sales were made which produced	\$231,750
Down payments on 50 contract sales, (total amount of sales \$379,626) produced	37,500
Payments for six months on new contracts	<u>30,000</u>
TOTAL	\$299,250

II. HOW ENSUING YEARS REVENUE IS CALCULATED

1. Contract sales payments received from sales prior to 87/88	\$216,000
2. Contract sales payments received from sales in 88/89	539,898
3. Average amount expected to receive from new sales and six months contract payments during each ensuing year	299,250

(This is explained in #I above.)

III. Expenses Ensuing Years

Cost of Unit minus:

Computer	\$23,500
Appraiser	14,000
Title Searches	37,500
Phone Installation	500

Temporary OA II	22,176
Increase in Advertising	5,000
Increase in Office Supplies	2,000
Increase in Postage	<u>6,500</u>
TOTAL	\$111,176

IV. PROCEEDS FROM LARGE SALE FY 88/89

As of 3/25/88 The Tax Title Unit had 754 properties which could be sold. Of these, 474 have a value in excess of \$150

Properties Available For Sale: 474

True Cash Value	\$5,632,130
Proposed Minimum Bid, 65% of TCV	3,660,865
Projected Sale Price If 90% Are Sold	3,294,778
Immediate Return With 10% Down	329,477
Balance To Be Paid Off In 8 Years	2,965,300
Annual Payments At 10% Interest	539,898
Taxes on Sale Price at \$30/1000	75,200
Annual Return for Next 8 Years	615,098

In addition, by sale of the above properties, there would be a reduction in maintenance costs of \$25,000.

MULTNOMAH COUNTY SHERIFF'S OFFICE -
TAX TITLE UNIT - BUDGET INCREASE

		1987-88 BUDGET	1988-89 BUDGET
R E Q U I R E M E N T D E T A I L		-----	-----
CODE	OBJECT TITLE		
-----	-----		
5100	Permanent	0	56,627
5200	Temporary	0	0
5300	Overtime	0	1,041
5400	Premium	0	0
5500	Fringe	0	14,457
	DIRECT PERSONAL SERVICES-----	0	72,125
5550	Insurance Benefits	0	9,352
	TOTAL PERSONAL SERVICES-----	0	81,477
6050	County Supplements	0	0
6060	Pass Through Payments	0	0
6110	Professional Services	0	56,500
6120	Printing	0	0
6130	Utilities	0	0
6140	Communications	0	2,300
6170	Rentals	0	0
6180	Repairs and Maintenance	0	0
6190	Maintenance Contracts	0	0
6200	Postage	0	6,500
6230	Supplies	0	9,144
6270	Food	0	0
6310	Education and Training	0	0
6330	Travel	0	0
6520	Insurance	0	0
6550	Drugs	0	0
6560	Refunds	0	0
6620	Dues and Subscriptions	0	0
	DIRECT MAT/SERVICES TOTAL-----	0	74,444
7100	Indirect Costs	0	0
7150	Telephone	0	0
7200	Data Processing	0	0
7300	Motor Pool	0	0
7400	Building Management	0	0
7604	Tax Land Sale Cash Transfer	0	0
	INTERNAL SVC REIMBURSEMENTS-----	0	0
	TOTAL MATERIALS/SERVICES-----	0	74,444
8200	Buildings	0	0
8300	Other Improvements	0	0
8400	Equipment	0	16,356
	TOTAL CAPITAL OUTLAY-----	0	16,356
TOTAL	R E Q U I R E M E N T		
	DIRECT BUDGET-----	0	162,925
	TOTAL BUDGET-----	0	172,277

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Personal Services

5100	One financial technician	\$30,475.00
	One OA III	\$27,493.00
	One OA II (Temporary)	\$22,176.00
	Overtime	\$1,333.00

These additional personnel will assist with planning and carrying out the sale of the top 500 properties, expediting the timely collection of existing contracts, carrying out and recording notification of lien and interest holders. At the conclusion of the first year it is anticipated that the OA II can be removed from the payroll.

Direct Materials/Services

6110	This is for increased advertising as required by law (\$5,000): Hiring a full time appraiser for six months to make 500 appraisals (\$14,000), and obtaining title report information on the top 500 properties (\$37,500).
6140	Phone installation for three new telephones (\$500), monthly cost at \$150 per month (\$1,800).
6200	Increased postage for mailing sale notices to interested parties (\$6,500).
6230	Supplies (\$2,000); computer software (\$7,144).

Capital Outlay

8400	Equipment. Three personal computers to allow speedy processing of the inventory, sales and collections (\$16,356).
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NOTES FROM COMMITTEE MEETING
ON
COUNTY MANAGEMENT OF FORECLOSED PROPERTY

Wednesday, April 13, 1988
Final Report

PRESENT: Commissioner Caroline Miller; Larry Baxter, MCSO; Carmen Holub, A & T; Dutch Holub, D.E.S. Property Management; Grant Nelson, Chair Staff; Lt. Richard Piland, MCSO; Jim Czmowski, A & T

Discussion took place on the various ways in which the management of foreclosed property could be effectively dealt with.

It was generally agreed that tax title and other property functions should be consolidated in one department. Three possible locations for a centralized property unit were discussed. First, the office could be located in A & T. Second, the office could operate as a part of Facilities Management. Third, the office could function as a separate office dealing with land and reporting directly to the Board. Commissioner Miller would like a discussion of the variety of possibilities to occur at a meeting of the Strategic Planning Committee and then at the Board for adoption of appropriate policies which reflect the decisions that are made. Whatever option is chosen it is certain that the operation needs to be better funded and staffed in order to accomplish the needed work. It would appear that with collection of penalties allowed under ORS 312.310 and fees to cover costs and expenses. Lt. Piland has estimated that it would cost \$172,000 the first year and \$110,500 in ensuing years to operate the Tax Title Unit effectively. If this occurs Multnomah County would be able to turn over \$375,000 to other taxing entities in the County while the County itself would realize an additional \$49,000 while producing \$75,000 in additional property taxes. Collection of penalties per Paul Mackey's opinion that such collections would be permitted under Oregon statutes would add an additional \$18,000 in FY 87-88; \$24,3000 in FY 88-89; and \$36,150 in FY 89-90. Doing a better job of managing and selling tax foreclosed property would reduce the county's liability exposure and result in greater returns on the property to both Multnomah County and other taxing entities.

To summarize the consensus of the committee - it was agreed that:

- a) better communications will improve the management disposal foreclosed property.
- b) an ordinance establishing a procedure and standards for transferring tax foreclosed property to other governments should be passed.
- c) permitted penalties should be collected in all future cases.
- d) foreclosed property should be managed by a Department or Division and more adequate funding needs to be provided.

Attachment

EXPECTED RECOVERY OF PENALTIES, APRIL 13, 1988

Larry Baxter
Tax Title Unit
Multnomah County Sheriff's Office

BACKGROUND:

Until the passage of SB 269 by the 1987 Oregon Legislature, which amends ORS Chapter 312, 312.310 provided for payment of a penalty of five percent of the taxes and interest due on a property at the time of the judgement and decree. This penalty was to be paid when the property was redeemed and was "in lieu of all costs chargeable against the property in connection with the foreclosure proceeding."

SB 269 provides for a fee of \$50.00 in addition to the five percent penalty, "to defray the costs among other costs, among other costs, incurred by the county to provide the notices of redemption expiration to lienholders and others required under section 2, of this 1987 Act."

ORS 275.275 provides for a refund to the general fund of all the costs and expenses incurred by the county in the maintenance and supervision of properties on which the county has foreclosed liens for delinquent taxes.

Paul Mackey, Assistant County Counsel, expressed the opinion at the April 8, 1988 meeting that the fees and penalties described above should be considered as costs and expenses which may be refunded under provisions of the above statute.

The effect of this opinion are as follow:

Expected recovery, FY 1987/88 - \$18,000.00.

Based on 90 completed sales with penalties of \$13,000.00 and 6 pending sales with penalties of \$5,000.00.

Expected recovery, FY 1988/89 - \$24,300.00

Based on sales of 90% of 475 properties with penalties of \$27,000.

Expected recovery, FY 1989/90 - \$36,150.00

Based on October 1987 deed of 195 properties with penalties of \$26,400.00 and recovery of title search costs of \$50.00 each for a total of \$9,750.00

I don't think that the \$50.00 fee permitted compensates for the costs incurred to provide notice of expiration of redemption. Mailing costs alone are at least \$2.25 per property, if only one notice is sent, and there is probably at least one hour of county staff time per property to prepare and mail the notices and maintain files of receipts. This, in addition to the costs of title searches.



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Capital Outlay

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N O T I C E

STRATEGIC PLANNING COMMITTEE MEETING MULTNOMAH COUNTY COURTHOUSE - ROOM 602

Monday, May 16, 1988 - 9:00 am

AGENDA

Members: Gladys McCoy, Chair; Commissioner Pauline Anderson;
- Sheriff Fred Pearce; Duane Zussy, DHS Director; Merlin Reynolds, CIC
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2. Foreclosed Property/Tax Title Unit

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