

## **2014 PROPOSED LA CONSTITUTIONAL AMENDMENT # 10: TAX SALE OF VACANT, BLIGHTED OR ABANDONED PROPERTY**

### **CURRENT SITUATION:**

Properties for which property taxes are not paid in a given year are offered at a tax sale the following year by the local government. If the tax certificate is purchased by an investor, this purchaser must wait three years from the recordation date of the sale to obtain clear title to the property and put it back into commerce. In the meantime, the investor is responsible for maintaining the property as required by local ordinances and absorbing all the costs, including payment of property taxes.

If the tax certificate is not sold, the property is adjudicated to the local government, which also must wait three years to try to put the property back into productive use. In that case, the local government bears the cost of securing and maintaining the property.

The three-year period is known as the redemption period and is designed to give the original property owner a chance to reclaim the property by reimbursing either the tax certificate purchaser or the local government for all taxes and other charges, plus a 5% penalty, plus interest.

The law, however, does not distinguish between properties that are vacant, blighted or abandoned versus properties where the owners have fallen behind on their taxes but still occupy the premises. In either case, the redemption period is three years. The only exception to that is New Orleans, where the redemption period for blighted and abandoned property sold at a tax sale is 18 months.

### **PROPOSED CHANGE:**

The proposed amendment would shorten the redemption period for property that has been declared vacant, blighted or abandoned from three years after the sale's recordation date to 18 months. This change would bring the rest of the state in line with Orleans Parish. The amendment would not shorten the redemption period for non-blighted owner-occupied homes.

### **COMMENT:**

Local governments struggle constantly with the problem of blighted and abandoned property. Officials must balance the rights of individual property owners with the rights of neighbors and the citizenry at large. Under the current system, potential investors have little motivation to purchase the tax certificates of blighted and abandoned properties. That means the local government ends up as the responsible party of last resort, creating a financial burden for the public purse.

In Shreveport, for example, officials estimate the city spends \$2.2 million a year on maintenance of adjudicated blighted and abandoned properties. That is money that could be spent on other, more needed city services.

In New Orleans, the 18-month redemption period for blighted and abandoned properties has been in effect since voters approved a 1995 constitutional amendment allowing the city to use the shorter time frame. City officials say the shorter redemption period has sped up their ability to put properties back into commerce.

### **ARGUMENT FOR:**

A reduced redemption period could help put blighted and abandoned properties back into productive use more quickly and lower the costs to local governments. The faster return of these properties to commerce also could help spur local governments' economic revitalization efforts.

The proposed amendment is the result of more than two years of discussions among officials and organizations across Louisiana and represents a consensus on how to attack the problem of blighted and abandoned properties.

All of the due process and notice requirements that currently exist in state law would remain, including the steps local governments must take to notify property owners and mortgage holders when an administrative hearing is scheduled to determine whether a property is blighted or abandoned. Property owners, in turn, can appeal the decision resulting from the administrative hearing.

### **ARGUMENT AGAINST:**

Property ownership is one of the sacred values of American society. Any attempts to take someone's property, especially without full compensation, should be met with the strictest and most skeptical scrutiny. The current redemption period of three years is the minimum amount of time property owners should have to redeem their right to hold on to their real estate assets. During times of financial hardship in particular, the shorter redemption period proposed by this constitutional amendment would cause many citizens undue stress and the unfortunate loss of property.

Also, there is always a chance that despite local officials' best efforts, the proper notices will fail to reach a property owner who could have paid all of the taxes, fines, fees and other costs for a property, and who will, therefore, lose the opportunity to retain the property.

*Legal Citation: Act 436 (House Bill 256 by Rep. P. Williams) of the 2013 Regular Session, adding Article VII, Section 25(B)(3). Companion legislation is Act 223 (Senate Bill 51 by Sen. Long).*

**Source: Public Affairs Research Council of Louisiana**