



Hennepin County's Tax-forfeited Property Program

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Fast facts

- ▲ Hennepin County rehabilitates tax-forfeited properties into beautifully remodeled, mint-condition, energy-efficient homes that are then sold at public auction.
- ▲ Properties in top-quality, move-in condition are more likely to attract permanent homeowners – critical for healthy neighborhoods.
- ▲ Revenue from the sale of remodeled tax-forfeited buildings pays for all past-due taxes and rehab costs and returns a profit to taxpayers for other programs.
- ▲ Rehabilitated properties go back on the tax rolls – no longer a burden to taxpayers.

Every city has them – empty, boarded houses; vacant, unkempt lots; deteriorating business buildings. They're an eyesore to the community, a blight on neighborhoods, and the forerunner of decay in any community.

Every year thousands of properties in Minnesota become tax-delinquent and are abandoned by their owners. Initially properties are forfeited to the state. Every effort is made to return the property to the original owner. The county works as a “compassionate tax collector” to help the former owner regain the property by paying the back taxes, and almost half the properties are repurchased by their owners. If that is not possible, local governments (counties or cities) take over the property and work with redevelopment nonprofits and neighborhoods to determine the best use – usually affordable housing. Properties that aren't repurchased or used by local governments are sold at public auction.

- Since 1993, Hennepin County has acquired more than 1,750 tax-forfeited properties – 758 of them with buildings.
- The number of parcels has decreased in recent years. The county now acquires approximately 40 to 50 parcels annually – many of them vacant inner-city lots and vacant, boarded and condemned structures.
- Currently the county has about 1,675 parcels in its inventory – 80 percent are conveyed, mostly to cities, for a public purpose, such as parks or drainage.
- Many of the properties are contaminated and require some form of environmental cleanup.

A new strategy

When Hennepin County first began acquiring and selling these properties, many were purchased by buyers who made minimal repairs and rented them out, then abandoned them when they weren't profitable. Sometimes they were resold with little improvement to unsuspecting buyers, who found they had a potentially dangerous or substandard building. Either way, properties often were abandoned again, continued to be a neighborhood eyesore and often were forfeited back to the county.

In 1996, Hennepin County's Taxpayer Services Department decided to try something different – marketing to a completely different kind of buyer. The county began completely rehabilitating properties and auctioning them in mint, move-in condition to buyers who hopefully would become homeowners, live in the neighborhood and return the property to the tax rolls. Since the county adopted this strategy:

- Some 30 homes have been remodeled, landscaped and sold to taxpayers.
- More than half the homes are now owner-occupied. Their combined market value has risen 84 percent over the past few years.
- Revenue from the sale of these buildings pays for all past-due taxes and rehab costs, with any profits returned to taxpayers – 40 percent to the county, 40 percent to the school districts, and 20 percent to cities.
- Approximately 98 percent of forfeited taxes have been recovered.
- The average time between acquiring a property and sale is approximately six months – a major accomplishment since some properties used to remain vacant for years.

- ▲ Through this program, some 30 homes have been rebuilt and offered to the public at auction. More than half are now owner-occupied.
- ▲ The county now leases rehabbed homes to county social service providers, enabling people with special needs to live in community-based foster care.

Housing for community-based adult foster care

In 2004, Taxpayer Services and county Human Services and Public Health began exploring yet another use for tax-forfeited property – leasing rehabilitated properties to county social service providers for community-based adult foster care.

Hennepin County has hundreds of clients living in nursing homes and works to find community-based housing for those who can live under less intensive care. Meeting this responsibility has been a challenge in tight economic times and required new approaches. Remodeling tax-forfeited homes for community-based care is less expensive than long-term nursing home care, and provides residents with more opportunities for independence and self-reliance.

In 2004, the first group of people with disabilities moved into a tax-forfeited home newly rehabbed by the county, at an estimated savings of \$210,000 in housing and service costs. The program has already won a national award for excellence from the National Association of Counties.

Before ... and after

Several renovated tax-forfeited properties have been featured in the annual Minneapolis and Saint Paul Home Tour. Three properties rehabilitated last year included:

- A small, dilapidated one-story, two-bedroom bungalow in North Minneapolis that was stripped to the studs and the roof raised, adding a second story. The completely remodeled home now has three bedrooms and two baths, low-maintenance exterior, two covered porches, first-floor laundry, energy-efficient appliances and furnace, hardwood floors, and an open great room on the first floor – all the amenities of a new house in the middle of the city, a block from a neighborhood school.
- A badly deteriorating three-bedroom house in South Minneapolis was stripped to the studs and the second floor expanded. The house now has five bedrooms and three baths, many energy-efficient features, and is handicapped-accessible on the first floor. This home will provide community-based living for county foster care clients.
- An abandoned two-bedroom, one-story home in South Minneapolis, with serious structural and environmental problems, was virtually rebuilt and now has four bedrooms and two full baths, covered and ramped porches, a fully wheelchair-accessible first floor with a laundry, energy-efficient appliances, furnace and air conditioning, ceiling fans, a bedroom and a walk-in tub/shower/spa. This property also will provide community-based living for county foster care clients.

Building better neighborhoods

The Hennepin County Tax-Forfeited Property Program encourages home ownership – critical for healthy neighborhoods. Properties are returned to the community in mint condition and become models for other residents, who are motivated to fix up their homes as well. Properties go back on the tax rolls – no longer a burden to taxpayers.

“In the best of all worlds,” says Jill Alverson, director of Taxpayer Services, “no property would be lost through tax forfeiture. But if it happens, Hennepin County is committed to transforming the property into attractive, safe, code-compliant, first-class condition for a new owner.”

For more information:

- Look on the Hennepin County website – www.hennepin.us – under “Your county government/Doing business with Hennepin/Auctions.”
- Contact Jill Alverson, Taxpayer Services director: 612-348-4084.
- To have your name put on a mailing list for the next public auction, contact Hennepin County Taxpayer Services: 612-348-3734.