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Luther S. Olsen

State Senator

14th District

**Testimony in Support of SB 328  
October 23, 2013**

**Senate Committee on  
Economic Development and Local Government**

Thank you Chairman Gudex and Committee members for taking the time today to hear Senate Bill 328.

This legislation seeks to address concerns raised by County Treasurers from around the state regarding a loophole that allows municipalities to add costs of razing dilapidated buildings as an additional tax on property tax bills. This effectively shifts the financial burden of destroying these structures from the one municipality to the entire County.

Under current law, if a municipality decides to raze a dilapidated building and the owner of the real estate does not pay; the cost of razing can be assessed as a special tax. If the property tax bill and special tax remain unpaid by the owner, the County then must bear the financial burden for both and reimburse the municipality accordingly.

Under this bill, the cost of razing may be assessed and collected as a special charge, but not as a special tax. It clarifies that municipalities are responsible for the cost to raze a structure in their jurisdiction. Thus, when a municipality makes the decision to raze a building, they can't automatically pass the cost on to the County. Under this proposal, counties will have the option, as with all special charges, of reimbursing the municipality for razing costs when property taxes are not paid.

Municipalities bear the responsibility for inspecting properties and maintaining the safety of structures. Thus, it makes sense that they should be responsible for any costs incurred as a result of their decision to raze a structure. Based on the Fiscal Estimate prepared by the Department of Revenue it does not appear this is a widespread practice but I feel it is prudent to clarify this issue before it becomes more common.

Once again, thank you for your time. Several county officials are waiting to testify today, and they will speak first hand to this issue.



## MEMORANDUM

TO: Senate Committee on Economic Development and Local Government

FROM: Kyle Christianson, Legislative Associate *K.C.*

DATE: October 23, 2013

SUBJECT: Support for Senate Bill 328

The Wisconsin Counties Association (WCA) supports Senate Bill 328, relating to the payment of razing costs.

Under current law, municipalities may raze a structure for many reasons, including if it is dilapidated, dangerous, unsanitary, out of repair, etc. Current law also allows municipalities to charge the razing costs against the real estate as a special "tax." By charging the costs as a tax, counties are forced to pay the razing costs, in addition to all property taxes - regardless if they are paid - during the August settlement period.

According to county treasurers, municipalities make unilateral decisions to raze structures and do not typically involve counties in the process. The costs of razing a single property can range from hundreds to tens of thousands of dollars. It is simply unfair to force all county taxpayers to pay costs resulting from a single municipality's actions.

Senate Bill 328 requires razing costs be charged as a special assessment or special charge, not a special tax. By charging razing costs as a special charge or assessment, if the county sells the lot for more than the property taxes the county has already paid, the razing costs are required to be paid. If, however, the county does not sell the lot for enough money to recoup the taxes, then the county would have the "option" to reimburse a municipality for the demolition costs.

WCA respectfully urges the committee to support Senate Bill 328. Please do not hesitate to contact the WCA office with any questions.

Thank you for your consideration.



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To: Senate Committee on Economic Development and Local Government  
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities  
Date: October 23, 2013  
Re: SB 328, Recovering the Costs of Razing Dilapidated Buildings

The League of Wisconsin Municipalities opposes SB 328, treating the costs municipalities incur in razing dilapidated buildings as a special charge instead of a special tax. Under this bill, a county would no longer be required to pay the municipality's razing costs as part of the August settlement of property taxes.

There are sound public policy reasons for retaining current law. Raze orders are better categorized as special taxes. Special taxes are those costs incurred by a municipality for public health and safety reasons (e.g. removals of unlawful piers – sec. 30.13(5m)(b)1.; nuisance abatement – sec. 254.59(2); and removal of prohibited signs – sec. 349.09). Special charges are services to a specific property billed and special assessments are improvements to public areas that benefit adjacent properties. Put another way, the benefit of special taxes is for the public in general and assessed against the property that was responsible for causing the public detriment. The benefits for special charges and special assessments go to the specific property and the cost of the service is assessed against the specific property that benefited from the service.

Razing a dilapidated and uninhabitable building is not a service to the property, but rather a service to the general public to remove an unsafe building. The standard for issuing a raze order is the general concept that it is dangerous to the public and it is to the public's benefit to remove unsafe structures. Special charges and special assessments are discretionary, so it makes sense that cities only utilize them when it makes sense financially. However, much like general real estate taxes which are also paid to municipalities in advance of collection on August 20, there should be no disincentive for cities to address a public health issue like a dilapidated and unsafe building. As a special tax, the city's only interest in the property is whether it is unfit for human habitation. A municipality should not be deterred by the possibility of eating the cost. The reason the county pays for it is because the county takes ownership of the land through the tax deed process and is in the best position to recover that money. The county is certainly in a better position than the city, which cannot foreclose for back taxes.

If raze order costs were made a special charge, a number of practical problems would arise. First, the city would have to decide whether to raze a building based on the cost of razing. If collection from the current property owner was unlikely, the city would just have to

eat the cost without any chance of recovering that money. That would deter issuing raze orders and prolong the existence of dangerous and uninhabitable buildings. While in this limbo, the owner will very likely not be paying taxes on a vacant, condemned property which leads to one of two outcomes: 1) through a tax deed, the county would take ownership of a parcel, or 2) the county would refuse to issue a tax deed despite the owner not paying taxes. Under either scenario, as long as the building continues to stand, the county is collecting no taxes on the property and the building is in danger of being a flop house, or fire risk, or health threat. If the county takes ownership, it will probably have to raze the building to make the parcel sellable. If the county doesn't take ownership, the dangerous building continues to stand, with no taxes being collected. Eventually, the county would lose in tax revenue the amount it would have spent reimbursing the city for the cost of razing the building. Plus, the county would still have to pay for the cost of the raze or sell the property at a loss! Either the property can continue to endanger the public with no tax revenue coming in *ad infinitum* or the property can be razed immediately to remove the public danger while starting the timer that will eventually lead to the county taking and reselling the parcel to get it back on the tax roll.

Current law makes sense and should be retained. The League urges you to vote against recommending passage of SB 328. Thanks for considering our comments.



# Wisconsin County Treasurers' Association

**TO:** Chairperson Gudex and Members of the Committee on Economic Development and Local Government

**FROM:** Michael V. Schlaak, Calumet County Treasurer

**RE:** **SB 328** - Amendment to 66.0413

The purpose of this memo is to support proposed legislation on behalf of the Wisconsin County Treasurer's Association (WCTA) by which a municipality may collect the costs of razing a building/structure from a property owner. Wisconsin County Treasurers believe the current practice of allowing Municipal governing body's the option to place a raze order on a specific parcel as a special tax (apportioned to all in their municipality), is an inequitable provision.

A *special charge* by definition 74.01(4) "means an amount entered in the tax roll as a charge against real property to compensate for all or part of the costs to a public body (i.e. municipality) of providing services to the property."

A special charge is specific work/costs done to a specific parcel by the public body (municipality). Collecting fees for garbage charges is the most common throughout the State. A specific service, provided to a specific parcel.

A *special tax* by definition 74.01(5) "means any amount entered in the tax roll which is not a general property tax, special assessment, or special charge."

A special tax therefore, can be defined as a "catch all" of those not covered above. However, a *tax* (general property tax) is defined, by 74.01(1) are "taxes levied upon general property and measured by the property's value." By this definition, a tax implies an apportioned levy equally distributed to all property within the public body based upon value.

For example, the "net cost" (tax levy support) of local law enforcement is a cost equally distributed to all citizens of the governing body based upon property value, because all citizens receive the benefit of law enforcement services.

In contrast, the decision to raze a specific building on a specific parcel is conducted exclusively by the public body (municipality). The Raze Order is based upon non compliance of municipal enforcement of municipal code violations, specific to a particular piece of property. The benefit of a raze order does not impact all citizens and parcels within a municipality, or County, but in most cases only a singular parcel.

In conclusion, Senate Bill 328 would provide three (3) benefits. First, eliminate the existing loop hole and catch all provision in current practice. Second, more accurately and equitably define a *special tax*, (apportioned equally to the entire public body) from a *special charge* (compensation for the costs of a specific service provided to a specific property). Third, create additional opportunities for intergovernmental cooperation between Municipal and County government to find the most economical, cost efficient methods to raze and potentially redevelop blighted and dilapidated properties to the benefit of both parties.

Your support of Senate Bill 328 will accomplish these objectives.



# Wisconsin County Treasurers' Association

**Date:** October 23, 2013

**To:** Chairperson Gudex and Members of the Senate Committee on Economic Development and Local Government

**From:** Vicki Brown, Rock County Treasurer & WCTA Representative to WCA

**Subject:** Support of SB 328, Changing the Method by which a Municipality May Collect the Costs of Razing a Building from a Property Owner

At the request of the county treasurers, this bill was introduced to amend what county treasurers feel is an inequitable flaw in the statutes concerning the definition of razing costs.

Under current law, when a municipality issues an order to raze a structure, the costs associated with that razing may be put on a property tax bill as a special *tax*. State statutes require counties to pay *all taxes* levied by all taxing jurisdictions in full on August 20<sup>th</sup> each year, whether the county has collected the taxes or not.

The Order to Raze or Repair a structure is issued by the municipality based on enforcement of local municipal codes and ordinances. The municipality controls the procedure and demolition that results from non-compliance. Yet, in the event the property owner does not pay the costs and the costs are put on the property tax bill as a special *tax*, because counties are required to pay all *taxes* in full, the county in effect may be responsible to pay for the enforcement of local municipal codes and ordinances. In other words, the entire county must bear the cost of cleaning up the municipality's lack of effective code enforcement.

Senate Bill 328 affirms what is current practice in Rock County, that being municipalities putting razing costs on the tax roll as a special *charge*. None of the 29 municipalities in Rock County have placed razing costs on the tax roll a special *tax*. The City of Beloit has averaged seventeen demolitions a year since 2009. Again, not one of those unpaid charges has been placed on the tax roll as a special *tax*. Over the past three years, the City of Janesville has placed unpaid razing/demolition costs of \$46,500 on the tax roll, *all* as special *charges*. This past year, the Village of Orfordville had demolitions costs of \$21,000 on the tax roll, and again, the costs were not listed as special *taxes*.

The DOR Fiscal Estimate lists razing/demolitions costs from around the state. From the \$556 thousand in Douglas County to the \$441 thousand in Kenosha County, from the \$164 thousand in Outagamie County to the \$107 thousand in Grant County and most every county in between, these costs are being put on the tax roll as special *charges*, **not** as special *taxes*. The fact that most municipalities in the state currently recognize unpaid razing costs as a special *charge* shows why this is a common sense piece of legislation. Please support Senate Bill 328.

# Wisconsin County Treasurers' Association

June 2013 Seminar

Resolution No. 2013-02

Re: Designating "Razing" from a Special Tax to a Special Charge

**WHEREAS**, according to Wisconsin State Statute 66.0413(1), the governing body, building inspector, or other designated officer of a municipality may place a raze order on any building or structure or any portion of a building or structure for reasons stated in Wisconsin State Statute 66.0413(1), and

**WHEREAS**, if the owner of the building fails or refuses comply with the raze order, then the building inspector or other designated officer of the municipality may proceed to raze the building, structure, or portion of the building or structure, and

**WHEREAS**, the cost of razing or securing a building, structure, or portion of a structure may be charged against the real estate upon which the building, structure, or portion of a building or structure is located. This cost is a lien upon the real estate and may be assessed and collected as a special tax, and

**WHEREAS**, a special tax, unlike a special assessment or special charge, by definition, requires the county to pay the municipality in full for that tax during tax settlement, whether or not the owner of the real estate has paid the tax. There is little incentive for the owner to pay a special tax for razing their structure, leaving the burden of paying the special tax on the county, and

**WHEREAS**, razing costs are expensive, from hundreds of dollars to tens of thousands. The county is not involved in the decision making process to raze a building, structure, or portion of a building or structure, nor does the municipality seek the assistance of the county with regard to razing services. There is no requirement for the municipality to provide documentation to the county for their costs, and

**WHEREAS**, it is not uncommon for the remaining vacant lot to be foreclosed on for delinquent taxes as a result of the large special for razing, thus the property becomes county-owned, and

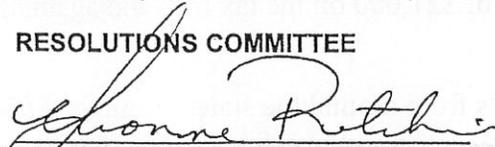
**WHEREAS**, the sale value of the vacant lot is typically less than the accumulated taxes and razing costs, thus the county is not able to recoup its costs once the tax lien has been foreclosed.

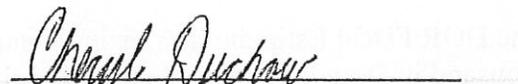
**NOW THEREFORE BE IT RESOLVED**, the Wisconsin County Treasurers' Association requests that the designation of special tax in Wisconsin State Statute 66.0413(1)(f) be changed to special charge. This change will still allow municipalities to charge razing costs against the real estate, but will not require counties to pay the municipalities during tax settlement, rather when the special charge has been paid.

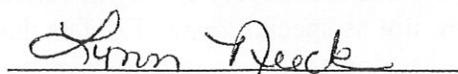
**BE IT FURTHER RESOLVED**, that the Wisconsin County Treasurers' Association will seek sponsorship of such stated changes to Wisconsin Statute 66.0413(1)(f) from members of the Wisconsin Legislature.

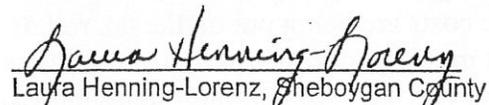
Respectfully submitted this 14th day of June 2013.

## RESOLUTIONS COMMITTEE

  
Yvonne Ritchie, Barron County Treasurer

  
Cheryl Duchow, Manitowoc County Treasurer

  
Lynn Neeck, Price County Treasurer

  
Laura Henning-Lorenz, Sheboygan County Treasurer

**EXECUTIVE**



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**Troy Streckenbach**

PHONE (920) 448-4001 FAX (920) 448-4003

BROWN COUNTY EXECUTIVE

**TO:** Honorable Richard Gudex, Chair  
Committee on Economic Development and Local Government

**FROM:** Troy Streckenbach  
Brown County Executive

**DATE:** October 14, 2013

**RE:** SB328

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Dear Chairman Gudex,

On behalf of the Brown County Executive Office please accept my support for SB328, designating razing as a special charge and no longer as a special tax.

Currently municipalities are responsible for placing raze orders on buildings and structures. The cost of razing may be charged as a special tax against the land where it is located. In turn, counties are required to pay the special tax to the municipality, by August 20th, regardless of whether or not the property owner paid the tax. These taxes can cost counties up to tens of thousands of dollars.

Since the county is not involved in the decision making process to raze a structure, nor does the municipality refer to the county for razing services, I feel the county should not be responsible for paying the costs. By designating the razing costs as a special charge, counties will have the option of reimbursing municipalities for razing costs when the property taxes are not paid.

I am respectfully submitting my support of SB328, turning razing from a special tax to a special charge.

Respectively,

A handwritten signature in black ink, appearing to read "Troy Streckenbach", written over a horizontal line.

Troy Streckenbach  
Brown County Executive

TREASURER

Brown County

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**KERRY M. BLANEY**

TREASURER

DATE: October 23, 2013

TO: Committee on Economic Development and Local Government  
Senator Rick Gudex Chair

RE: Senate Bill #328

Dear Senator Gudex and Committee Members:

Currently, municipalities may order the razing (demolition) of any building or structure if it is old, dilapidated, out of repair, etc. The cost of razing the structure may be charged as a special tax against the real estate where the structure is located.

Counties are required to pay all taxes to local taxing jurisdictions by August 20th of each year regardless of whether the owner of the real estate pays the tax. In cases where municipalities are charging razing costs as a "tax," counties are forced to pay both property taxes and razing costs.

According to county treasurers, razing costs can range from hundreds to tens of thousands of dollars. Moreover, the county is not involved in the decision-making process to raze a structure, nor does the municipality seek the assistance of the county to provide or retain cost-effective razing services. Municipalities are responsible for inspecting properties and maintaining safety of structures, and should also be responsible for costs incurred as a result of their decision to raze a blighted property.

Although it is common for the remaining vacant lot to be foreclosed on by the county for delinquent taxes as a result of the large special tax for razing, the sale of the vacant lot does not typically cover the accumulated taxes and razing costs incurred by the county.

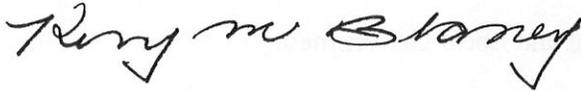
This legislation would change the designation of razing from a special tax to a special charge in order to clarify that municipalities are responsible for the costs of razing properties within their jurisdiction if the property owner does not pay. By designating razing costs as a special charge, as opposed to special tax, counties will have the option, as with all special charges, of reimbursing the municipality for razing costs when property taxes are not paid.

I have been County Treasurer for 25 years and this provision of Special Tax has not been used to recover razing costs. This is the first time we are aware of a municipality trying to recover a razing cost. In the past and currently, municipalities are placing the costs on the tax bills as OTHER CHARGES. In addition, this fairness measure is needed to ensure that when a municipality unilaterally decides to raze or demolish a building, that they do not pass the cost on to all county residents.

The Wisconsin Counties Association and Wisconsin County Treasurers Association support this measure.

I thank you for giving me the opportunity to speak at this hearing and your support would be greatly appreciated.

Sincerely,



Kerry M. Blaney  
BROWN COUNTY TREASURER