



## Fiscal Estimate Narratives

DOR 2/24/2014

LRB Number	13-3919/1	Introduction Number	SB-495	Estimate Type	Original
<b>Description</b> Requiring a demolition bond in foreclosure actions					

### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

When a building is deemed dilapidated and/or unsafe, the municipality within which the building is located may order the property owner to repair his/her building so as to ensure the structure is reasonably safe. In some cases, the municipality may order the property owner to raze the building when it is considered unrepairable, or if the cost of repair would exceed a certain percentage of the property's assessed value. If the owner does not comply with the repairing/razing order issued by the municipality, the municipality may either: 1) take a legal action that could result in a court order requiring the owner to raze the building; or 2) proceed to raze the building through either a public agency or a private contractor. The cost of razing may be charged against the property and may be assessed and collected as a special charge.

#### PROPOSED LAW

Under the bill, the plaintiff in a mortgage foreclosure action is required to post a surety bond that will guarantee reimbursement to the municipality for up to \$15,000 in costs incurred by the municipality, if the plaintiff's property is razed by the municipality during the foreclosure action. The bill requires that, if a building is not razed, the bond be returned to the plaintiff upon the first of any of the following occurs: 1) the foreclosure action is dismissed; 2) the mortgagor redeems the property (pays the amount owned); or 3) the court confirms the sale of the property at the end of the foreclosure action. Also under the bill, any portion of the cost charged against the real estate that is not reimbursed from funds withheld from an insurance settlement (applicable only to the City of Milwaukee), or by the plaintiff in a foreclosure action against the real estate, can only be assessed as a special charge, but may not be assessed as a special tax.

Special assessments, special charges, and special taxes are reported to the Department of Revenue (DOR) on the Statement of Taxes (SOT) filed annually by municipalities. Until 2013 Wisconsin Act 87 was enacted, the cost of razing or securing buildings was charged as a special tax rather than as a special charge. The attached table shows the special taxes that were placed on the tax rolls for the 2010-11, 2011-12, and 2012-13 property tax years. The list includes only those municipalities for which a clearly specified amount was charged for either razing or demolition. A total of approximately \$2.4 million was placed on the tax rolls as a special tax for razing in the past three years (\$691,890 in 2010-11, \$1,015,007 in 2011-12, and \$710,356 in 2012-13). It is assumed that the surety bond that guarantees reimbursement to the municipality up to \$15,000 would cover most of the razing costs for typical residential structures, if not paid by a property owner. As such, the amount of special charges municipalities assess to recover the costs of razing is expected to decrease. Demolition/razing costs related to commercial, industrial, and certain residential properties subject to foreclosure in excess of \$15,000 would not be covered by the surety bonds. DOR does not have data on the number or type of demolition/razing cases that occurred in each municipality shown in the attached table. Further, DOR does not have the information regarding what portion of the special tax charged was actually paid.

Prohibiting a 1st class city (Milwaukee) from assessing the portion of the razing cost that is not reimbursed from funds withheld from an insurance settlement as a special tax does not have any fiscal impact, since the City of Milwaukee retains responsibility for collecting unpaid property taxes and special charges under current law.

Administrative costs to the DOR for updating its guidelines and other relevant materials and notifying municipalities of the law change can be absorbed within current budgetary resources.

### Long-Range Fiscal Implications

Municipality	Type	County	Tax Year		
			2010-11	2011-12	2012-13
Almena	Village	Barron	\$391	\$3,694	
Arena	Village	Iowa			\$9,400
Bemont	Village	Lafayette	\$7,965		
Blue River	Village	Grant			\$49,187
Boscobel	City	Grant		\$8,537	\$29,734
Brookfield	City	Waukesha	\$9,815	\$12,173	
Draper	Town	Sawyer		\$5,219	
East Troy	Village	Walworth			\$375
Eau Claire	City	Eau Claire	\$6,743		
Fox Lake	Village	Dodge	\$2,885		
Geneva	Town	Walworth		\$18,850	
Greendale	Village	Milwaukee		\$15,309	
Janesville	City	Rock	\$30,849	\$14,756	
Kenosha	City	Kenosha	\$226,825	\$60,281	\$72,618
La Farge	Village	Vernon			\$5,606
La Valle	Village	Sauk	\$10,692		
Mauston	Village	Juneau	\$52		
Merrill	City	Lincoln			\$43,898
Merrimac	Village	Sauk		\$27,443	
Milwaukee	City	Milwaukee	\$112,365	\$237,994	\$274,210
Montfort	Village	Grant	\$9,065		
Muscoda	Village	Grant		\$11,214	
New London	City	Waupaca	\$164,037	\$9,006	
North Fond du Lac	Village	Fond du Lac	\$13,933		
North Prairie	Village	Waukesha	\$10,523	\$10,059	\$9,595
Onalaska	City	La Crosse		\$12,095	
Orfordville	Village	Rock			\$21,000
Oxford	Village	Marquette	\$12,896		
Plymouth	City	Sheboygan			\$1,705
Rochester	Village	Racine		\$20,301	
Rock Springs	Village	Sauk			\$11,990
Salem	Town	Kenosha	\$15,786	\$34,627	\$16,794
Saratoga	Town	Wood		\$4,411	
Sharon	Village	Walworth	\$23,500	\$11,113	
Sheboygan	Town	Sheboygan	\$5,508	\$356	
Somers	Town	Kenosha		\$14,282	
Spring Valley	Village	Pierce			\$6,518
Stevens Point	City	Portage			\$6,638
Superior	City	Douglas	\$28,060	\$480,647	\$47,102
Tigerton	Village	Shawano			\$17,449
Verona	City	Dane			\$13,325
Waterloo	City	Jefferson		\$2,640	
Watertown	City	Dodge			\$20,513
Watertown	City	Jefferson			\$15,267
Williams Bay	Village	Waukesha			\$12,444
Wisconsin Rapids	City	Wood			\$23,632
Woodland	Town	Sauk			\$1,356
<b>TOTAL</b>			<b>\$691,890</b>	<b>\$1,015,007</b>	<b>\$710,356</b>
<b>3-YEAR TOTAL</b>					<b>\$2,417,253</b>