

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

**Review of Residential Real Property Tax Lien Sales- Part II
Redeemed Properties
September 1, 2003 to September 1, 2013**

OFFICE OF INTEGRITY AND OVERSIGHT



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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

October 2, 2014

The Honorable Phil Mendelson, Chairman
District of Columbia Council
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, NW
Washington, DC 20004

This report transmits the results of the Office of Integrity and Oversight's (OIO) review of Residential Real Property Tax lien sales on Redeemed Properties for the period, September 2003 to September 2013, as required by the *Tax Lien Compensation and Relief Reporting Emergency Act of 2013 (Act)*. The Act mandated OIO to review the residential properties included in the tax sales that took place between September 1, 2003 and September 1, 2013, with an outstanding delinquent real property tax balance of less than \$2,500.

OIO's first report to the Council (Part 1)¹ provided an overview of the tax lien process and a detailed review of 126 properties, as of November 30, 2013, which were foreclosed by tax sale investors, with outstanding delinquent real property taxes of less than \$2,500. This second report, *Review of Residential Real Property Tax Lien Sales-Part II: Redeemed Properties, September 1, 2003 to September 1, 2013*, discusses the process used by the property owners to redeem 6,547 properties as of November 30, 2013. We included a detailed analysis of 130 properties redeemed by the owners, who were age 60 or older at the time of the tax sale.

We did not include the fees charged by the attorneys for the property redemptions; since such data are not publically available. Further, we did not provide an estimate of an equitable remedy to former homeowners as required the *Act*. The Office of the Chief Financial Officer recommends that the newly established tax ombudsman, proposed in the Fiscal Year 2015 Budget Support Act², be tasked with determining the equitable remedy to affected property owners.

¹ *Review of Residential Real Property Tax Lien Sales September 1, 2003 to September 1, 2013*; Report Number: OIO-13-2-18-A-OTR, January 31, 2014.

² The Residential Real Property Equity and Transparency Revised Emergency Amendment Act of 2014 was enacted as Subtitle VII.K of Bill 20-849, the Fiscal Year 2015 Budget Support Emergency Act of 2014.

Should you have any questions on this report or our work, please contact me at 202-442-6433. Also, your staff may direct their questions to Tisha N. Edwards, Senior Audit Manager, at 202-442-6446.

Respectfully,



Mohamad K. Yusuff, CPA
Interim Executive Director

cc: The Honorable Vincent C. Gray, Mayor, District of Columbia
The Honorable Members of the District of Columbia Council
Jeff DeWitt, Chief Financial Officer, Government of the District of Columbia
Angell Jacobs, Deputy CFO and Chief of Staff, Office of the Chief Financial Officer
David Tseng, General Counsel, Office of the Chief Financial Officer
Stephen M. Cordi, Deputy Chief Financial Officer, Office of Tax and Revenue
Marshelle Richardson, Interim Chief Risk Officer, Office of the Chief Financial Officer

Enclosures

Table of Contents

INTRODUCTION

<i>Results in Brief</i>	1
<i>Scope and Methodology</i>	4
<i>Background – Tax Sale Process</i>	6
<i>The Redemption Process</i>	6
<i>Significant Event</i>	9
<i>OIO Prior Reports Related to OTR Tax Sales</i>	10

ANALYSIS OF REDEEMED RESIDENTIAL REAL PROPERTIES

<i>Analysis of Tax Sale Redemptions</i>	11
<i>Detailed Analysis of Redeemed Properties</i>	15

TABLES

Table 1	Summary of Residential Properties with Tax Liens of Less than \$2,500	2
Table 2	Redeemed Residential Properties by Tax Sale Year and Ward	3
Table 3	Lag Between the Date of the Tax Sale and Redemption Date	8
Table 4	Summary of Total Redeemed Properties by Use Code	12
Table 5	Property Use Codes for Redeemed Property by Ward	13
Table 6	Number of Times Properties were Sold at Tax Sale	16

APPENDICES

Appendix 1	Tax Lien Compensation and Relief Reporting Emergency Act of 2013	86
Appendix 2	Index of Redemption Related Notices	88
Appendix 3	Correspondence with Owner/Taxpayer	91
Appendix 4	Flow Chart for the Tax Sale Process	94
Appendix 5	Selected Residential Property Use Codes	98
Appendix 6	Remaining Redeemed Properties from Test-Sample	101
Appendix 7	Glossary	109
Appendix 8	Abbreviations and Acronyms	113

INTRODUCTION

Results in Brief

The Washington Post in a series of investigative reports, published September through December 2013, described the Government of the District of Columbia's (District's) tax sale³ process that is operated and controlled by the Office of Tax and Revenue (OTR).⁴ The reports, in addition to providing an overview of the tax sale process, discussed the loss of residential real properties by some of the District's residents through a foreclosure process to a tax sale investor. In September 2013, the District of Columbia Council passed the *Tax Lien Compensation and Relief Reporting Emergency Act of 2013 (Act)*.⁵

The *Act* mandated that the Office of Integrity and Oversight (OIO), the audit entity in the Office of the Chief Financial Officer (OCFO), prepare a report that included: a broad view of the tax sales conducted by OTR from September 1, 2003 to September 1, 2013;⁶ a detailed review of the residential properties (Class 1) that were foreclosed on by tax sale investors; and a detailed discussion of the properties that were redeemed by the owner/taxpayer from the tax sale investor subsequent to the tax sale. The *Act* required that the review be limited to foreclosures and redemptions of residential properties with outstanding delinquent real property taxes of less than \$2,500. Further, the *Act* required that we analyze the tax sale data to determine whether the taxpayer, at the time of the tax sale was: age 60 or older, whether they were disabled, or a veteran. The Scope and Methodology Section (Page 4) of this report provides additional details on the approach utilized to meet the *Act's* requirements, and discusses the limitations of the data included in this report.

Based on our review of the tax sale data, we identified that OTR placed 9,395 residential square -- suffix -- lots (SSLs) in tax sale with outstanding delinquent real property taxes of less than \$2,500 for the aforementioned period. Of these SSLs, as of November 30, 2013, 126 residential properties were foreclosed, 6,547 were redeemed by the owners/taxpayers, 1,509 property tax sales were cancelled, and the balance of 1,213 were still in-progress. Table 1 on the following page summarizes this data by tax sale year.

³ The terms that are underlined, when first used, are defined in the report's Glossary (Appendix 7, Page 110).

⁴ Individual articles at www.washingtonpost.com/newssearch/search.html?st=cenziper+&submit=Submit=Query (Accessed June 11, 2014).

⁵ D.C. Law 20-0054.

⁶ The 2013 tax sale was cancelled at the direction of the Mayor. See OCFO, OTR Testimony of Stephen M. Cordi, Deputy Chief Financial Officer; *Public Hearing on Bill 20-23 Residential Real Property Equity and Transparency Act of 2013, Bill 20-318 Senior Citizen Real Property Tax Relief Act of 2013, and Bill 20-476 District Real Property Tax Sale of 2013*; page 6; found at <http://cfo.dc.gov/release/public-hearing-bill-20-23-residential-real-property-equity-and-transparency-act-2013-bill-20> (Accessed June 11, 2014).

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

Table 1
Summary of Residential Properties with Tax Liens of Less than \$2,500
Tax Sales — September 1, 2003 to September 1, 2012⁷

Tax Sale Year ^a	Foreclosed	Redeemed	Cancelled ^b	In Progress ^c	Total Properties Sold
2003	20	1,022	171	74	1,287
2004	14	895	143	54	1,106
2005	25	1,035	108	124	1,292
2006	11	513	356	140	1,020
2007	33	919	158	168	1,278
2008	7	406	197	65	675
2009	8	329	27	96	460
2010	4	460	102	80	646
2011	4	645	195	200	1,044
2012	0	323	52	212	587
Total	126	6,547	1,509	1,213	9,395
Percentage	1	70	16	13	100

Source: OIO analysis of tax sale data from the D.C. Ledger, Integrated Tax System (ITS) and the Buyers' Books

Notes: ^a The Mayor directed the cancellation of the 2013 tax sale. See footnote 6 for additional detail.

^b See Report Number: OIO-13-2-18-A-OTR for additional detail on cancellations (Table 6 Page 18).

^c The term, "In Progress" is not formally used by OTR for pending foreclosures and redemptions; however, OIO uses the term in this report to identify tax sale properties that did not meet one of the other criteria.

Our first report (Part I), *Review of Residential Real Property Tax Lien Sales* (Report Number: OIO-13-2-18-A OTR) provided a broad review of the tax sale process and included a detailed analysis of the 126 properties, as of November 30, 2013, that were foreclosed by tax sale investors.

This report (Part II) addresses the 6,547 residential Square – Suffix – Lots (SSLs)⁸ *redeemed* by the owner/taxpayers from the tax sales that occurred between September 1, 2003 and September 1, 2013. It is a companion report to *Review of Residential Real Property Tax Lien Sales* (Report Number: OIO-13-2-18-A OTR); we therefore excluded the detailed review of the tax sale process and certain data tables and exhibits that were provided in the first report. Should a reader of this report desire a more detailed explanation of the tax sale process, we refer them to the following link: http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/OIO-13-2-18-A-OTR_0.pdf (Accessed June 11, 2014)

⁷ See footnote 6 for detailed data on the cancellation of the 2013 tax sale at the direction of the Mayor.

⁸ All real property within the District of Columbia is assessed and billed on the basis of square – suffix – lot. The individual SSL may not represent an entire property but only a portion of the property. E.g., a residential property may be divided into two SSLs – one that includes a single family home or apartment building the second SSL accounts for the stand alone garage that is considered part of the property. The owner/taxpayer receives two real property tax bills each billing cycle.

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

Table 2 provides the dispersion of the redeemed residential real property SSLs by ward and tax sale year for our review period. This data is inclusive through November 30, 2013.

Table 2
Redeemed Residential Real Properties by Tax Sale Year and Ward⁹
Tax Sales from September 1, 2003 to September 1, 2012

Tax Sale Year	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	Total
2003	122	73	46	182	184	131	176	108	1,022
2004	89	63	33	127	173	120	188	102	895
2005	76	120	73	143	177	121	228	97	1,035
2006	60	48	32	82	83	50	110	48	513
2007	88	76	33	123	179	115	205	100	919
2008	32	41	21	58	84	55	75	40	406
2009	23	31	7	62	68	38	57	43	329
2010	30	44	17	67	76	42	95	89	460
2011	52	39	27	74	140	62	155	96	645
2012	33	30	13	46	61	28	78	34	323
Total	605	565	302	964	1,225	762	1,367	757	6,547
Percentage	9	9	5	15	19	12	21	12	100

Source: OIO analysis of tax sale data from the D.C. Ledger and ITS

Note: ^aPercentage amounts do not add to 100 due to rounding.

In addition to making a determination as to the age of the owner/taxpayer, whether they were disabled, or a veteran; the *Act* required that we report the total unpaid taxes, interest and other taxes, tax sale fees, and attorney fees paid by the owner/taxpayer to redeem the property. We have included taxes, interest and fees that were recorded in the District's Integrated Tax System (ITS) and the D.C. Ledger related to the redemption of the properties; however, attorney fees are not included, as these fees are generally not available to the public. Moreover, the District requires attorneys to provide a statement that the fees have been satisfied and not the amount of the fees.

The District does not maintain a single database to provide the metrics required by the *Act*. Data had to be compiled from various sources including: the Recorder of Deeds (ROD); individual income tax data maintained in ITS; data stored in the District's Electronic Data Warehouse (EDW); publically available no-cost databases; and data from the D.C. Superior Court's online case management system. For its real property tax records, the District does not maintain a unique identifier, such as taxpayer identification number (TIN) that would permit review and analysis of real property records specific to individual property owners.

⁹ This table includes only those residential real properties with an outstanding delinquent real property tax balance of less than \$2,500.

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

Scope and Methodology

The *Act*, a copy of which is included as Appendix 1, required OIO to review all of the outstanding delinquent residential real property taxes included as liens as part of each tax sale held between September 1, 2003 and September 1, 2013, and report on certain data elements. The data elements are: (i) the number of SSLs with outstanding delinquent real property taxes of less than \$2,500; (ii) whether the owner/taxpayer was age 60 or greater at the time of the tax sale and a veteran; or any age and disabled; (iii) the amount paid to redeem the property including tax sale costs, interest paid to the tax sale investor, and attorney's fees. As stated, the attorney's fees are not publically available and they are not required to report those fees to OTR.

To meet the *Act's* mandate, we obtained an overview of the tax sale and the redemption process by:

- obtaining and reviewing the applicable laws and regulations related to the District's tax sales;
- interviewing responsible officials from OTR management, the Real Property Tax Administration (RPTA), the Tax Sale Unit (TSU) and OTR's Office of the Chief Counsel (OGC);
- interviewing responsible officials from the Office of the Chief Information Officer's (OCIO's) Tax System's Group (TSG);¹⁰ and
- obtaining and reviewing prior audit reports issued on the tax sale and related functions issued by OIO.

To obtain the universe of residential tax sale liens included in tax sales conducted between September 1, 2003 and September 1, 2012¹¹ OIO:

- met with officials from RPTA to obtain data on the Buyers' Books and D.C. Ledger data in an electronic format;
- requested that TSG and RPTA merge the available data from ITS and the D.C. Ledger into a series of electronic files for analysis;
- analyzed the data to determine that it agreed with the Buyers' Book data and verified the reliability of the data provided by RPTA and TSG for analysis; and
- extracted the SSLs from the merged ITS and D.C. Ledger files the data that met the *Act's* requirements: (i) properties coded as residential (Class 1) in ITS; (ii) owner/taxpayer and investor names for each property for the 9,395 properties in our universe; (iii) outstanding delinquent real property tax balance of less than \$2,500; (iv) data on deductions and

¹⁰ TSG is part of the OCIO staff. TSG's primary responsibilities include the development, support, and maintenance of various tax databases and applications to support OTR's operations, taxation, and collection functions. Additionally, TSG supports other OCFO organizations who use tax related databases and applications to meet their mission and responsibilities.

¹¹ The Mayor directed the cancellation of the 2013 tax sale. Additional data on the cancellation can be found at footnote 6.

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

exemptions¹² received by the owner/taxpayer; and (v) the current status of the real property.

- analyzed the data to obtain the properties that were redeemed by the owner/taxpayer, through November 30, 2013.

In order to determine whether the properties in our sample met the requirements of the *Act*, we searched available databases within the OCFO including ITS, the ROD online system for real property records, and the District's EDW. We also searched for relevant data in switchboard.com, spokeo.com, and peoplesmart.com. Our search of internet databases was limited to no-cost databases. These searches were used to obtain data about the owner/taxpayer and whether they met the requirements in the *Act* for reporting the transaction. We used the D.C. Superior Court's (Court's) online system found at <https://www.dccourts.gov/cco/maincase.jsf> for relevant data on the owner/taxpayer.

Due to the requirements imposed by the *Act*, OIO limited its reviews and inquiries to responsible management and staff within the OCFO; specifically, OTR, RPTA, TSU, and TSG. We made no inquiries of the owner/taxpayers, the tax sale investors, or other individuals and firms that may have been impacted by the tax sale process. The *Act* required that OIO provide a recommendation whether equitable relief, for substantial injustice should be granted, the equitable remedy, and a plan for providing the recommended relief.¹³ We believe that the issue of "equitable relief" is outside the scope of our legal purview and that such determination be made by other third parties with competent authority; such as, the Tax Ombudsman created by the Fiscal Year 2015 Budget Support Act.

OIO identified several data limitations that may impact the completeness and accuracy of the data provided in this report. For example, the owner/taxpayer listed in ITS may not have appeared on publically available databases we reviewed, or in the District's EDW to allow us to determine the age at the date of the tax sale. Further, we may not have been able to establish a definitive link between the owner/taxpayer and the individual(s) listed in the internet databases we searched.

The *Act* did not require that OIO provide a review performed in accordance with generally accepted government auditing standards. The procedures that we have described in this report are not sufficient to constitute an audit or review in accordance with those standards. Therefore we do not express an opinion on the data included in this report. Had OIO conducted an audit or review in accordance with generally accepted government auditing standards, other matters may have come to our attention that we would have reported to you.

¹² The Homestead Deduction reduces the amount of the real property assessment by a specified amount and the resulting assessed value is used to compute the real property tax due. The senior citizen and disabled exemption reduces the amount of the tax due to the District by 50 percent for the qualifying owner/taxpayer. Qualified property owners may have a homestead and senior citizen or disabled exemption concurrently. They may not have concurrent senior citizen and disabled exemptions concurrently. To obtain the deduction and either exemption the owner/taxpayer must reside in the residence on which the tax is assessed and it must be the primary residence.

¹³ *Tax Lien Compensation and Relief Reporting Emergency Act of 2013*, § 2(3)(B).

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

Background – Tax Sale Process

The OCFO, through OTR, is responsible for collecting all of the tax revenues for the District, including delinquent property taxes. The collection process for delinquent real property taxes includes the public advertisement and a public auction of the outstanding tax liens to tax sale investors. RPTA/TSU has the responsibility for the management and conduct of the tax sale process. The process itself is driven by statutes and regulations and has become a creature of those statutes and regulations. Chapter 13A of the District of Columbia Code (D.C. Code)¹⁴ contains many of the statutes that impact and control the process. The regulations for the tax sale are generally found in Title 9, Chapter 9-3, of the District of Columbia Municipal Regulations (DCMR).¹⁵ Title 47 section 1332(a) of the D.C. Code (D.C. Code §47-1332(a)) provides the Mayor with the authority to “... *sell all real property on which the tax is in arrears unless otherwise specified by law.*”

The District receives two benefits from conducting a tax sale. The first benefit is the District receives the funds to cover the outstanding delinquent real property taxes, and the penalties and interest (P&I) sooner than they may have otherwise. The second benefit is that the tax sale encourages the District’s real property owner/taxpayers to comply with the statutes and regulations related to the timely payment of the taxes due to the District.

In OIO’s first report (Part I) titled *Review of Residential Real Property Tax Lien Sales, September 1, 2003 through September 1, 2013*,¹⁶ we included a comprehensive review of the tax sale process including citations to the statutes and regulations governing the tax sale in the Background – Tax Sale Process section of the report. We refer the reader to that report for a review of the process used for tax sale preparation, correspondence with owners/taxpayers including the issuance of the tax sale certificate, and the tax sale auction and reconciliation processes.

The statutes and regulations provide the owner/taxpayer with several letters and a public advertisement of the sale of the tax liens on a specific SSL. Each of these letters and the public advertisement notify the owner of the process that is available to them to redeem their property. Appendix 3 provides a summary of some the significant communications with the owner/taxpayer that occur prior to and after the tax sale.

The Redemption Process

It is important to note, the DC Code § 14-1360 permits the owner/taxpayer to redeem the SSL at any time in the process leading to the Final Order of Foreclosure on the Right to Redemption. The RPTA staff informed us that the redemption process may be spread over several years to allow the owner/taxpayer to become current with all their real property tax obligations. For

¹⁴ Found at <http://www.lexisnexis.com/hottopics/dccode/> (Accessed June 11, 2014). Unless specifically noted in the citation, all of the references are taken from the 2013 edition of the D.C. Code.

¹⁵ Found at <http://www.dcregs.dc.gov/Gateway/ChapterHome.aspx?ChapterNumber=9-3> (Accessed June 11, 2014)

¹⁶ The report is found at http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/OIO-13-2-18-A-OTR_0.pdf. (Accessed June 11, 2014)

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

example, one of the redeemed SSLs included in this review was redeemed approximately 8.8 years after inclusion of the SSL in the tax sale.

As part of the process employed by the TSU, they notify the owner/taxpayer, by mail, that their SSL was sold at tax sale and that rights to the tax lien on the property were successfully acquired by a tax sale investor. TSU informed us that the letter contains the name of the successful investor, the process that must be followed to redeem the property, and instructions for the payment of the delinquent taxes, P&I, and other tax sale related fees may be made. D.C. Code § 47-1360 permits the owner/taxpayer to redeem the tax liens, and potentially the property, from the investor at any time up to the issuance of the *Final Order of Foreclosure on the Right to Redemption*.

D.C. Code § 47-1361 and 9 DCMR § 316.2(a) provide the controls over the redemption process before the investor files the *Complaint*. In order for the owner/taxpayer to redeem the property the owner/taxpayer makes payment to OTR for:

- all outstanding delinquent and current outstanding real property taxes¹⁷
- all P&I costs applicable to either the outstanding delinquent or current real property taxes;
- all outstanding delinquent taxes, fees, and charges issued by another D.C. taxing agency that were included in the outstanding amount due at the date of the tax sale, these amounts are considered to be similar to real property taxes;
- all costs of the tax sale assessed by RPTA (\$200.00) this is included in the amount of real property tax due to OTR, at the time of the sale.
- interest, at 18 percent per annum, must be paid to the investor from the date of the tax sale to the date of the redemption on the outstanding delinquent taxes and P&I sold at tax sale.¹⁷

For outstanding amounts to other D.C. taxing agencies¹⁸ that were not included in the amounts paid to OTR, the owner/taxpayer must provide evidence of payment to the taxing agency. This requires the owner/taxpayer to physically go to the taxing authority and either pay the amount(s) due and receive receipts for the payments or obtain a statement that no amounts were outstanding for that specific SSL.

The process to redeem the SSL from the investors becomes more complicated when more than one investor is involved and each has filed *Complaints* with the Court. In this instance, the owner/taxpayer pays OTR for all the taxes, P&I and other costs listed above and include pre-complaint legal expenses incurred by the investors. Generally, these expenses are for a title search of the SSL (\$300.00) and filing fees (\$26.50) incurred at the ROD. Each of the investors in the SSL is entitled to reimbursement of the pre-complaint legal expenses (PCLE) and interest on the amount of taxes, penalties and interest they paid to OTR from the tax sale. The TSU staff

¹⁷ The investor does not receive interest on the amounts paid as surplus by the investor at the tax sale.

¹⁸ The D.C. taxing agencies include: D.C. Water and Sewer Authority (D.C. Water), the Department of Consumer and Regulatory Affairs (DCRA), and the individual business improvement districts (BIDs).

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

is responsible for making the appropriate disbursements to all the parties involved in the tax sales for the SSL.

Additionally, the owner/taxpayer is responsible for reimbursing the investor(s) for the amount of reasonable attorney's fees incurred to obtain the property. According to the RPTA staff, these fees are a private arrangement between the investor, attorney and the owner/taxpayer. For the period under review, these fees were not limited, and there was no requirement to publically disclose the amount. The TSU only requires that the attorney provide them with a letter/note that the fees have been satisfied as part of the redemption process.¹⁹

OIO noted that approximately 60 percent of the owner/taxpayer's redeemed their SSL within 12 months of the tax sale. The period between the tax sale date and the redemption date ranged from 34 to 3,225 days (8.8 years). **Table 3** provides a summary of the number of redemptions that occurred up to November 30, 2013²⁰, when OIO extracted the data from ITS and the D.C. Ledger.

Table 3
Lag Between the Date of the Tax Sale and the Redemption Date
As of November 30, 2013

Time Lag from Tax Sale to Redemption Date	Number of Redemptions	Percentage	Cumulative Percentage
0 to 6 months	1,989	30.38	30.38
7 to 12 months	1,930	29.48	59.86
13 to 24 months	1,959	29.92	89.78
25 to 36 months	438	6.69	96.47
37 to 48 months	127	1.94	98.41
49 to 60 months	56	0.86	99.27
61 months or greater	48	0.73	100.00
Total	6,547	100.00	

Source: OIO analysis of D.C. Ledger and ITS tax sale redemption data.

When the TSU determines that the owner/taxpayer has satisfied all of the outstanding delinquent and current taxes, pre-complaint legal expenses, and the attorney's fees have been satisfied, they will inform the owner/taxpayer and the investor(s) that the property has been successfully redeemed. At the redemption date the accrual of interest to the investor(s) stops.

¹⁹ The D.C. Council and the Mayor, on May 28, 2014, enacted the *Residential Real Property Equity and Transparency Emergency Amendment Act of 2014* (D.C. Act 20-342) which limits the amount of attorney's fees to \$1,500 for up to five status hearings. For each status hearing beyond the fifth hearing an additional \$75 is added to the fees. Located at <http://lims.dccouncil.us/layouts/15/uploader/Download.aspx?legislationid=31662&filename=B20-0787-SignedAct.pdf> (Accessed June 11, 2014)

²⁰ OIO did not update the data that we originally extracted for this report. We concluded based on our review of the data, that providing updated data would not impact the results that we have presented here.

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

TSU notifies the investor(s) that in order to receive the funds that may be due them, they must submit the following to TSU: a request for payment that includes the amount of taxes and estimate of the interest due to them and the original *Certificate*. In the case that an investor assigned the *Certificate* to another investor, the original *Certificate* would show the investor's name that purchased the lien at the tax sale. TSU will not authorize the disbursement of the funds until they receive the documentation from the investor(s). However, the interest that the investor would receive stopped accumulating at the date the owner made all payments to redeem the property.

The owner/taxpayer follows the same redemption process for the SSLs that the District acquired as the bid off properties. The difference in the process is that the District receives the investor's interest and a disbursement is not made to the investor. During the period of this review, the District did not appear to take any action to foreclose on any of the SSLs included in the tax sales.

Significant Event

On May 28, 2014, the Mayor approved the *Residential Real Property Equity and Transparency Emergency Amendment Act of 2014*.²¹ This legislation has made significant changes to the process used by investors to acquire properties through the tax sales. The preamble to this emergency act states:

To amend, on an emergency basis, Title 47 of the District of Columbia Official Code, to provide for limits on legal fees in tax sales, to provide for the distribution of equity to former owners where the property was sold at tax sale and occupied by owners, to provide for clean hands and tax compliance by tax sale purchasers, to clarify that the District may abate penalty and interest associated with a tax sale property, to clarify and limit the amount of interest paid to tax sale purchasers, to allow for refunds to tax sale purchasers pending payment of legal fees to the, to deem a tax sales property's taxes current for the purposes of redemption when paid to within \$100; to amend the Business Improvement District Act of 1996 to change the rate of interest assessed on any outstanding business improvement district tax to simple interest; to amend An Act To establish a code of law for the District of Columbia to require an owner of real property to notify the Office of Tax and Revenue of a name or address change within 30 days and to record a name change with the Recorder of Deeds; to amend the District of Columbia Deed Recordation Act to exempt from recordation tax a deed on property transferred to a named beneficiary of a revocable transfer on death deed under the Uniform Real Property Transfer of Death Act of 2012 upon the death of a grantor; and amend An Act To provide for the abatement of nuisances in the District of Columbia by the Commissioners of said District, and for other purposes to broaden the definition of owner.

²¹ This legislation found at: <http://lms.dccouncil.us/layouts/15/uploader/Download.aspx?legislationid=31662&filename=B20-0787-SignedAct.pdf> (Accessed June 11, 2014).

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

According to section 302 of the Emergency Act, the provisions of the Emergency Act take effect following approval by the Mayor, or Council in the instance of a veto, and remain in effect for no longer than 90 days.

OIO did not evaluate the impact of this legislation on the current tax sale process as part of this review.

OIO Prior Reports Related to OTR Tax Sales

OIO issued the following reports that address the tax sale process.

Final Report on Review of the Office of Tax and Revenue Tax Sale Program; Report Number IA:OTR:2803-04; October 16, 2008; found at:

<http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/Final%20Tax%20Sale%20Program%20Report.pdf> (Accessed June 11, 2014).

Audit of the Internal Controls Over Undelivered Mail and Address Change Process at the Office of Tax and Revenue; Report Number: OIO-10-2-26-OTR; January 3, 2012 found at:

http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/10.2.26.OTR_.pdf (Accessed June 11, 2014).

Review of Residential Real Property Tax Lien Sales, September 1, 2003 through September 1, 2013; found at: http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/OIO-13-2-18-A-OTR_0.pdf (Accessed June 11, 2014).

ANALYSIS OF REDEEMED RESIDENTIAL PROPERTIES

Analysis of Tax Sale Redemptions

This section of the report provides selected statistical data on the redeemed SSLs included in the OTR tax sales, covering the stated review period. OIO used the use code recorded in ITS, at the time of the tax sale, to determine the type of property and its use (see **Appendix 5** for a description of the selected Residential Real Property Use Codes for the redeemed properties).²² The use codes that we have listed in this report may not reflect the current use of the property. For example, properties that were listed as vacant may have changed based on the owner/taxpayer modifications. Our review did not include a comparison of the current use of a SSL with the use recorded at the time of the tax sale.

The properties listed as vacant in this report are based on a determination of the property's use by appraisers assigned to the Real Property Assessment Division, and does not equate to a vacant determination by DCRA. In some instances, a property may be listed as vacant to meet District legal requirements, other than DCRA's determination of vacancy.

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²² A list of the Real Property Use Codes is available at:
<http://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/usecodes.pdf> (Accessed June 11, 2014).

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

Table 4
Summary of Total Redeemed Properties by Use Code²³

Use Code	Use Code Description	Number of SSLs
001	Residential – Single Family (NC)	43
011	Residential – Row – Single Family	1,960
012	Residential – Detached – Single Family	996
013	Residential – Semi-Detached Single Family	891
014	Residential - Garage	38
015	Residential – Mixed Use	4
016	Residential – Condo – Horizontal	815
017	Residential – Condo – Vertical	541
018	Residential – Condo - Garage	242
019	Residential – Single Family - Miscellaneous	1
021	Residential – Apartment – Walk-Up	136
022	Residential – Apartment - Elevator	2
023	Residential – Flats – Less than 5	351
024	Residential – Conversions – Less than 5	173
025	Residential – Conversions – 5 Units	17
026	Residential – Cooperative – Horizontal	8
027	Residential – Cooperative – Vertical	1
028	Residential – Conversions – More than 5	2
029	Residential – Multifamily - Miscellaneous	1
042	Store – Miscellaneous	2
059	Commercial – Office – Miscellaneous	1
091	Vacant – True	48
092	Vacant – With Permit	52
093	Vacant – Zoning Limits	74
094	Vacant – False Abutting	126
095	Vacant – Commercial Use	2
096	Vacant – Unimproved – Parking	1
097	Vacant – Improved and Abandoned	4
216	Condo – Investment – Horizontal	8
217	Condo – Investment – Vertical	7
Total Properties Classified by Use Code		6,547

Source: OIO analysis of ITS data

²³ The property use codes and the number of SSLs portray only those properties that met the initial requirement of the Act (outstanding delinquent residential real property taxes of less than \$2,500. Other properties may have been redeemed during the review period that is not reflected in these amounts.

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

Table 5
Property Use Codes for Redeemed Properties by Ward²⁴

Use Code	Property Use Codes for Redeemed Properties by Ward ²⁴								Total
	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	
001 – Single Family NC	12	1	0	6	9	12	3	0	43
011 – Row – Single Family	277	68	10	412	457	407	205	124	1,960
012 – Detached – Single Family	4	4	46	194	246	6	376	120	996
013 – Semi-Detached – Single	30	3	10	166	149	31	353	149	891
014 – Residential – Garage	3	5	3	5	5	10	3	4	38
015 – Residential – Mixed	0	0	0	0	0	3	0	1	4
016 – Condo – Horizontal	87	97	43	100	122	54	151	161	815
017 – Condo – Vertical	72	263	111	12	0	80	0	3	541
018 – Condo – Garage	34	87	61	6	2	36	12	4	242
019 – Single Family – Misc.	0	0	0	0	0	0	0	1	1
021 – Apartment – Walk-up	18	2	0	10	15	4	48	39	136
022 – Apartment – Elevator	2	0	0	0	0	0	0	0	2
023 – Flats – Less than 5 Units	12	3	2	14	98	47	77	98	351
024 – Conversions – Less than 5	38	16	0	13	49	46	9	2	173
025 – Conversions – 5 Units	1	0	0	3	2	0	6	5	17
026 – Cooperative - Horizontal	2	0	1	0	0	0	3	2	8
027 – Cooperative - Vertical	0	0	0	0	1	0	0	0	1
028 – Conversions – Less than 5	2	0	0	0	0	0	0	0	2
029 – Multifamily – Misc.	0	0	0	0	0	0	0	1	1
042 – Store Miscellaneous	0	1	0	0	0	1	0	0	2
059 – Commercial – Office – Misc.	0	0	0	1	0	0	0	0	1
091 – Vacant - True	3	4	4	3	4	10	14	6	48
092 – Vacant – With Permit	2	3	3	0	4	3	16	21	52
093 – Vacant – Zoning Limits	4	4	2	8	14	7	28	7	74

²⁴ The property use codes and the number of SSLs portray only those properties that met the initial requirement of the Act (outstanding delinquent residential real property taxes of less than \$2,500). Other properties may have been redeemed during the review period, which are not reflected in these amounts.

Review of Residential Real Property Tax Lien Sales – Part II: Redeemed Properties

**Table 5 (continued)
Property Use Codes for Redeemed Properties by Ward**

Use Code	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8	Total
094 – Vacant – False Abutting	0	1	5	11	41	2	61	5	126
095 – Vacant – Commercial Use	0	0	0	0	0	0	2	0	2
096 – Vacant – Unimpd - Parkng	0	0	0	0	0	1	0	0	1
097 – Vacant – Impvcd - Aband	2	0	0	0	0	0	0	2	4
216 – Condo – Invstmnt – Horz.	0	3	1	0	1	1	0	2	8
217 – Condo – Invstmnt – Vertl.	0	0	0	0	6	1	0	0	7
Total	605	565	302	964	1,225	762	1,367	757	6,547

Source: OIO analysis of D.C. Ledger and ITS data

Review of Residential Real Property Tax Lien Sales-Part II: Redeemed Properties

Detailed Analysis of Redeemed Properties

Of the 9,395 SSLs, we identified 6,547 SSLs (70 percent) that were redeemed as of November 30, 2013. The *Act* required that we perform a detailed review on each of these properties. This level of review would be very time consuming and staff intensive as the data necessary to complete the review is contained in disparate systems within OTR and other D.C. agencies, the absence of a common link between the systems for owner/taxpayer, and it required inquiries of other publically available systems.

To analyze a representative sample from the universe of 6,547 redeemed residential properties (see Table 2) for the period, September 2003 to September 2012, in the most efficient manner and within limits of available resources, OIO with the concurrence of the OCFO and the Council, selected a random statistical sample from the universe of 6,547, with the following attributes: Confidence level of 95 percent, occurrence rate of 1 percent, and a tolerable error rate of 3 percent; this procedure yielded a sample population of 365 properties subject to detailed analysis. From the sample of 365 SSLs, we identified 130 owner/taxpayers that met the base age reporting requirement of the *Act*. A detailed review of the redemption process for these SSLs is included in this report, beginning on page 21. A listing of the remaining 235 redeemed properties from the test sample, where the owner did not meet the required criteria *or* we could not determine if the owner met the required criteria, can be found at **Appendix 6** of this report.

We reviewed each of the properties and based on that review, are providing you with detailed analyses of properties of 130 SSLs where at least one owner/taxpayer was greater than age 60 or deceased at the time of the tax sale. These owner/taxpayers for these SSLs may have additional characteristics, such as homestead exemptions or senior citizen credits that we included in our individual analysis. The characteristics of the owner/taxpayers that we screened for included:

- Age Greater than 60, at the Time of the Tax Sale – Determined using publically available databases, EDW database, and ITS individual income tax records.
- Homestead Deduction and/or Senior Citizen Credit – Data was included in the individual records extracted from the ITS real property tax database. We did not determine whether the owner/taxpayer may have been eligible for this deduction but included it only when the owner/taxpayer had received the Deduction or Credit in ITS.
- Disability Credit – Data was included in records extracted from the ITS real property tax database. We did not determine whether the owner/taxpayer may have been eligible for this exemption but included it only when the owner/taxpayer had received the Credit in ITS. We did not identify any owner/taxpayers with this Credit in our sample of redeemed properties.
- Veteran – This data is not publically available information and not required to be disclosed to the D.C. Government for real property tax purposes.
- Attorney Fees – We were not able to provide the amount of the attorney fees paid by the owner/taxpayer or the investor. This amount is a private transaction and is not subject to a required disclosure by any of the parties in a tax sale redemption or foreclosure process.