



INNOVATE MEMPHIS

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ANALYSIS OF DELINQUENT TAX FORECLOSURE DYNAMICS IN MEMPHIS, TENNESSEE

RESEARCH TO ACTION BRIEF

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FOCUS ON THE SYSTEM

Like many other cities, Memphis must contend with systemic poverty, large inventories of vacant and tax-delinquent properties, and pockets of weak housing markets. These factors complicate many status quo practices, including the enforcement of delinquent property taxes, which this very brief analysis is intended to help spotlight. According to recent public data, **there are over 36,000 properties in the city of Memphis that are tax delinquent, 10,000 of which are at least five years tax delinquent.**[1] Those properties are eligible for delinquent tax enforcement through a public sale designed to recoup the tax debt owed.[2]

In December of 2020, 579 tax-delinquent properties located within the City of Memphis were offered for sale through the Shelby County tax foreclosure process.[3] Opening bids, according to law, began at the amount of delinquent taxes owed (“minimum bid.”). The delinquent taxes owed on just this group of properties totaled \$11.5 million. After three days of auction proceedings, the sale results were striking and informative:

DECEMBER 2020 TAX SALE RESULT

- Only 124 of the 579 properties received private bids either at the minimum or above.
- 28% of the private bidders were entities or individuals located outside of Tennessee.
- The 124 private bids generated \$2.46 million in recouped tax debt which represents 21.39% of the \$11.5 million owed on all 579 properties.
- 424 of the 579 properties (89%) defaulted to the Shelby County Land Bank (SCLB) because no person or entity bid on the parcels. Those 424 properties, the majority of which are vacant and abandoned, require costly maintenance and care.
- The 89% of tax-delinquent properties that defaulted to the Shelby County Land Bank represent \$7.9 million in uncollectible tax debt. And those 424 properties will generate no new tax revenue unless and until they are transferred to new responsible ownership.

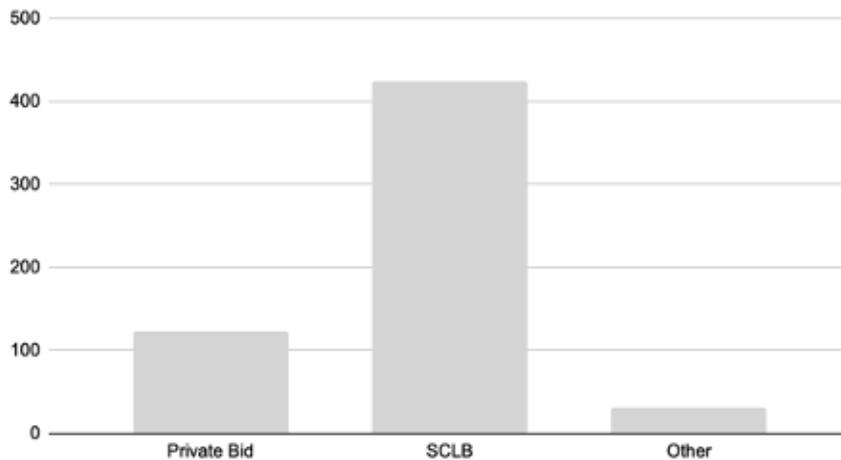
Breaking Down 124 Private Bids: December 2020 Memphis Tax Sale		
Outcome	Total Properties	Percent of Total Private Bids
Minimum Bid	60	48.39%
Bid over \$100K	4	3.22%
Out of State Investors	35	28.23%

RESULTS

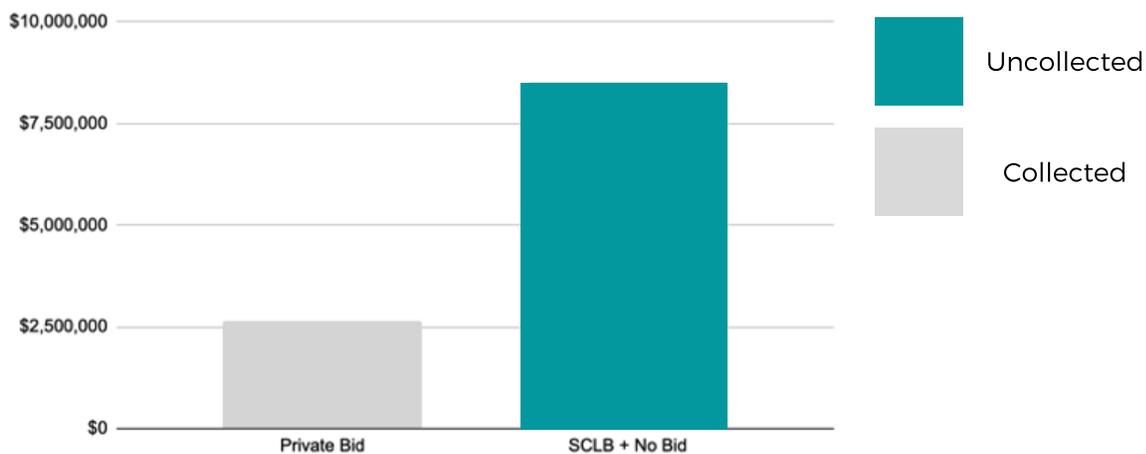
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2020 Memphis Tax Sale Dispositions



2020 Memphis Tax Sale Debt



CONCLUSION

If the outcomes of this single tax sale are representative, then the overwhelming majority of properties offered at auction are defaulting to temporary public stewardship by the SCLB, burdening a County department that is already expending millions of dollars per year on vacant lot maintenance. There are various active entities in the city of Memphis, including the Blight Authority of Memphis, that could play an active role in Shelby County working with existing systems to steward some of these properties back to productive, tax-paying use. We hope this brief can begin the necessary conversations around ways to bring existing tools to bear to solve this systemic issue.

ABOUT US

INNOVATE MEMPHIS

Innovate Memphis develops initiatives, nurtures partnerships and incubates solutions to move Memphis forward and deliver impactful, sustained change. We work with public and private sector agencies to improve how Memphians experience the daily services that impact their quality of life.

THE AUTHOR

Austin Harrison is a Ph.D. Candidate in the Urban Studies Institute at Georgia State University. His research interests include neighborhood change, community development, urban policy, and shrinking cities. In addition to his research, Mr. Harrison has consulted with various entities across the country to implement programs and policies aimed at inclusively revitalizing neighborhoods, developing quality affordable housing, and stabilizing systemically disinvested communities. He also serves as a Research Fellow for Innovate Memphis.

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FOOTNOTES

[1] According to 2020 City of Memphis Treasury Data and 2018 Shelby County Trustee Data. The most recent universe of severely tax delinquent properties is unclear at the time of publication.

[2] There may be very good reasons not to pursue aggressive foreclosure on those facing financial hardship, particularly during a pandemic. However, of this significant inventory of tax delinquent property, it seems vacant and abandoned properties causing harm to neighbors and neighborhoods could be prioritized for enforcement.

[3] This analysis was prepared through a manual review of the Chancery Court Clerk & Master's Tax Sale Report for Tax Sale 17-02 conducted December 1-3 of 2020 to produce a comprehensive dataset of each property located within the City of Memphis that was offered for sale at the tax auction (n = 579). This analysis represents a case study of the tax sale process and reflects only the results from one sale at one point in time. All data sets used in this analysis are public.

