

FOR IMMEDIATE RELEASE



FOR INFORMATION CALL

January 18, 2017

Ald. Terry L. Witkowski
(414) 286-2883

Council approves move to study property problems caused by LLCs

The Common Council today overwhelmingly approved legislation directing the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes the task of evaluating and making recommendations for addressing problems caused when properties are owned by LLCs—limited liability companies.

The approved substitute resolution (**see attached**) – authored by **Alderman Terry L. Witkowski** – aims (in part) to look at landlords who use LLCs to hide their identities specifically to avoid paying delinquent property taxes and code compliance fines for their properties. The Special Joint Committee will take a deeper look at the problem and recommend new laws and solutions to address the issues.

Alderman Witkowski said the issue is multifaceted and affecting neighborhoods already facing serious challenges. “We are talking about landlords who own properties in some of Milwaukee’s most vulnerable neighborhoods, and they have been gaming the system,” he said.

“By purchasing properties in their LLCs’ names, landlords try to avoid paying delinquent taxes and fines for their properties, all the while collecting rent from tenants who are forced to live in squalid conditions,” Alderman Witkowski said. “Eventually, the city is forced to foreclose upon the property for nonpayment of taxes, after which it goes up for auction on the cheap...and many of those same landlords start the whole cycle over again, buying those foreclosed properties for cash.”

The resulting neighborhood neglect has caused serious problems throughout the city, Alderman Witkowski said. “It is time to put an end to this game, this vicious cycle that is hurting Milwaukee,” he said.

The file was recommended for approval on a 5-0 vote by the Judiciary and Legislation Committee on January 9.

..Number

161221

..Version

PROPOSED SUBSTITUTE

..Reference

..Sponsor

ALD. WITKOWSKI, MURPHY, JOHNSON, RAINEY, HAMILTON, STAMPER, LEWIS, KOVAC AND ZIELINSKI

..Title

Substitute resolution relating to the duties of the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes.

..Analysis

This resolution assigns to the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes the task of evaluating and making recommendations for effectively addressing code-compliance deficiencies that can arise with properties owned by limited liability companies, and for improving the City's policies and practices for collecting code-compliance fines and property taxes owed on properties owned by limited liability companies.

..Body

Whereas, It can be nearly impossible to identify the person or persons who own and benefit from a limited liability company (LLC) which owns a property in the city, and who are ultimately responsible for upkeep of the LLC-owned property and payment of property taxes owed: and

Whereas, A significant number of LLC-owned properties chronically fail to comply with code violation orders issued by the City, leaving properties in near-uninhabitable disrepair to blight Milwaukee neighborhoods; and

Whereas, LLCs that chronically fail to comply with orders to correct code violations incur substantial unpaid code violation and re-inspection fines, and often fail to pay property taxes owed; and

Whereas, Without being able to identify the person or persons who own and benefit from an LLC-owned property, the City has no responsible party to pursue for code violation remedy, and collections of fines and delinquent property taxes; and

Whereas, By the time the City forecloses on an LLC-owned property for delinquent property taxes, the property has often been so neglected and is in such disrepair it is essentially valueless; and

Whereas, The LLC often has no other assets other than the dilapidated property foreclosed upon, or similar low-value properties, leaving the City few assets of value to attach for satisfaction of its claim, and

Whereas, Even if the person or persons who own and benefit from the foreclosed-upon LLC may have assets to attach for satisfaction of the City's claim, the City may be unable to pursue these persons because their identities are shielded by the LLC; and

Whereas, An evaluation and recommendations for improving the City's policies and practices for effectively addressing code-compliance deficiencies at LLC-owned properties will help the City protect neighborhoods from being blighted by inadequately maintained properties; and

Whereas, An evaluation and recommendations for improving the City's policies and practices for collecting code-violation fines and property taxes owed on LLC-owned properties will enhance the City's fiscal viability; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes is directed to evaluate and make recommendations for effectively addressing code-compliance deficiencies at properties owned by limited liability companies; and, be it

Further Resolved, That the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes is directed to evaluate and make recommendations for improving the City's collections of code-violation fines and property taxes owed on LLC-owned properties: and, be it

Further Resolved, That the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes is directed to consult directly with the Office of City Attorney, the City Treasurer, the Municipal Court and the Department of Neighborhood Services as it formulates its recommendations; and, be it

Further Resolved, That the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes is directed to gather data on which LLCs delay tax payments until properties owned must be redeemed from foreclosure, analyze how these delayed tax payments affect the City and make recommendations to address any problems caused; and, be it

Further Resolved, That all City departments are authorized and directed to cooperate with and assist the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes in carrying out these duties; and, be it

Further Resolved, That the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes may request assistance from non-City entities in carrying out these duties as it sees fit; and, be it

Further Resolved, That the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes shall report its findings and recommendations on these matters to the Common Council not later than June 30, 2017.

..Requestor

..Drafter

LRB #167248-3

Aaron Cadle

January 18, 2017