

IMPACT STATEMENT

Legislation title: Update Collection and Foreclosure code to align to changes in ORS 205 and 223. (Ordinance; amend Code Chapter 5.30).

Contact name: Sarah Landis

Contact phone: 503-823-4567

Presenter name: Sarah Landis

Purpose of proposed legislation and background information:

In 2012, the Oregon Legislature passed amendments to Oregon Revised Statutes (ORS) 205 and 223, which cover how local jurisdictions handle lien recordings, collections, and foreclosure on liens, among other topics. City Code must be updated to ensure alignment to these changes in state statutes. Specifically, the Code changes proposed here change the definition of sales price and delineate how the Treasurer must apply proceeds from the foreclosure sale.

Current City Code, which was aligned with ORS at the time it was written, defines the sales price as “the sum of the lien principal, interest and penalties, together with all collection costs and sales costs associated with the foreclosure sale.” No funds beyond those identified could be collected through a foreclosure sale. Additionally, current code language only allows bids at a foreclosure sale for the amount of the sales price. While this provision has not changed, the definition of “sales price” proposed in this ordinance is amended to mean a sum equal to or greater than either (a) the lien principal, interest, penalties, collection and foreclosure sales cost or (b) seventy-five percent of total assessed value of the property. This change allows for foreclosure sales to come closer to assessed value and for the City to accept bids that are higher than the lien amounts and associated administrative costs. ORS also directs the disbursement of any proceeds from the sale: first, the cost of conducting the sale shall be paid, followed by the unpaid lien principal plus interest and penalties. After those expenses are paid, proceeds will go to anyone with a recorded interest in the property, in order of priority, and finally to the debtor, their heirs or assigns.

The City is currently engaged in a concerted effort to address problems with vacant and distressed properties that are causing health, safety, and livability concerns across the city. Foreclosure is one tool that is being brought to bear on the problem. In order to proceed with foreclosure under City Code 5.30, it is necessary to ensure it is in compliance with relevant ORS.

Financial and budgetary impacts:

Foreclosures will bring revenue to the City, but there are too many unknown factors to provide an estimate on how much. These unknown variables include the number of foreclosure sales that are completed, the sales price, the cost of conducting the sales, the amount owed on liens, whether the Collections Committee votes to reduce lien amounts, and whether property owners enter into payment plans or make other arrangements for lien repayment or reduction with Bureau of Development Services or other lien holding bureaus.

The payment of liens will mean revenues to the lien holder. Although it is not possible at this point to estimate the number of foreclosures or the cost to conduct the sale, the average amount owed on the properties currently under consideration for foreclosure is approximately \$75,000. If one such property foreclosed each month for one year, the amount of revenue to the City would be a minimum of \$900,000.

Community impacts and community involvement:

The proposed code changes do not have community impacts and are strictly housekeeping to ensure compliance with ORS.

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ **YES:** Please complete the information below.
☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount