



**Community  
Legal  
Resources**

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Connecting Lawyers and Communities

*Legal Lines*

Legal Issues for Nonprofits

## **True Costs of Acquiring Tax Reverted Property**

The cost of acquiring tax reverted property from the state or city does not end with the administrative fee. Before deciding to purchase the property, or even accepting property as a gift, think about these “hidden costs:”

### **TITLE COSTS**

- There is no guarantee that you are receiving clean title. Often, the notice given by the State, County or City to the delinquent taxpayer when the property was foreclosed upon was insufficient to satisfy requirements of the law. Therefore, a title company may decline to provide title insurance on the property.
- Even if a title company will insure the title, the cost of a title commitment and insurance from a title company can be several hundred dollars per property.
- The cost to clean title defects can range from hundreds to thousands of dollars per property.
- Failure to receive title insurance may inhibit any future financing related to the property – such as a construction/rehabilitation loans or a sale of the property subject to a bank’s mortgage.

### **OCCUPANTS**

- The costs associated with removing an occupant through eviction proceedings or monetary settlement vary depending on the type of occupant. Often it is cheaper to offer the occupant a fee for vacating the property (e.g., \$500-1000 resettlement costs) than to go through the time and expense of a court-sanctioned eviction (e.g., lawyer fees, court fees, sheriff fees).
- If you decide to rent the property to the occupant, there are fees for registering the property as a rental property and having the property inspected. If violations are found, you will be responsible for the timely repairs to the property.
- If you decide to have the tenant vacate the property, you will incur costs in securing the units until you rehabilitate, rent or otherwise occupy the property.

## TAXES

- Nonprofits should not assume that they will be exempt from paying property taxes. If the nonprofit is not occupying the property and using it for its nonprofit purposes, the nonprofit will generally have to pay property taxes.
- In most cases, you will be responsible for paying the property taxes from the time you take title to the property. Make sure that you have the funding in place to make those tax payments, or you could lose the property.

## LIENS

- If there are unpaid water bills at the location, a lien may attach to the property (although it might not be recorded). You must contact the local water and sewer department to have the lien removed, which they may do in their discretion.
- There may be other liens (e.g., income tax liens or *lis pendens* stemming from demolition costs) placed on the property which must also be paid once you take title to the property.

## ENVIRONMENTAL ISSUES

- Any property owner can be held liable for environmental contamination located on their property. Special caution should be taken in acquiring any property with a history of industrial use or gas station use.
- Environmental testing can cost several hundred to several thousand dollars. The cost of environmental clean-up can be extremely expensive. Consult a lawyer and an environmental expert before acquiring any property that you suspect may be contaminated.

*This publication is intended to provide general information, and is not a substitute for legal advice. If you have additional questions about this issue, contact Community Legal Resources at 313/964-4130.*

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