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Redeveloping blighted areas focus of meeting

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HUNTINGTON -- A proposal to quicken the process of demolishing abandoned buildings and returning the property to productive use garnered the most attention Tuesday from a committee that will decide whether Huntington qualifies for certain home rule legislation.

City officials also asked the panel during the two-hour meeting to let them capture fire insurance claim proceeds to tear down dilapidated buildings, enact laws to get more aggressive with collecting delinquent fees and overhaul Huntington's tax structure.

The proposed tax overhaul would include repealing the \$2-a-week user fee, reducing the business and occupation tax, and implementing a 1 percent occupation tax.

Huntington is one of four cities seeking home rule powers under a five-year pilot program that the Legislature created last year. Charleston, Wheeling and Bridgeport also have submitted plans. The state panel charged with reviewing the cities' plans must decide by June 30 which ones will participate and whether they need to alter their proposals to conform to state law. All four cities could be selected.

If a city is selected to participate in the pilot program, its governing body still must adopt local ordinances to enact each of its home rule proposals.

Like the plans submitted by Charleston, Wheeling and Bridgeport, Huntington's plan focuses on reversing the effects of abandoned housing.

"With an aging housing stock, residential profiles drop, blight sets in and drug-related crimes take over," said Charles Holley, Huntington's director of development and planning. "It's taking an increasing amount of public dollars to stop that cycle. Once we break it, then we can look at true neighborhood revitalization."

Holley laid out a detailed plan to establish a "fast-track" land bank authority by which the city would take ownership of rundown properties that are not sold at county tax lien sales and return them to productive use within two years. The proposal is modeled after a land bank authority in Flint, Mich.

Under the current county tax lien sale process, property is put up for auction if the taxes on it are delinquent for the previous year. At the sale, people bid on the tax lien, or the tax debt on the



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Brandi Jones, director of administration and finance, and Mayor David Felinton present a home rule plan to a state panel Tuesday at City Hall in Huntington.

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property, not the property itself.

If a lien is purchased at a tax sale, the original property owner has 18 months to pay the taxes plus 1 percent interest per month. That money, including the interest, is then given to the lien holder.

If the original property owner, however, fails to pay the taxes within 18 months, the lien holder has the option of taking title of the property or forfeiting his or her bid and returning the property to the original property owner.

Holley said the process attracts real estate investors looking to make money off the interest. In the meantime, the property continues to decay.

"You're looking at these properties being tied up three-and-a-half years under the current process," Holley said. "It's one of the largest contributing factors we can point to for slum and blight in our neighborhoods."

To prevent more government bureaucracy, the Huntington Urban Renewal Authority would act as the city's land bank agency, Holley said. The land that the authority took ownership of would be used for new housing developments or donated to adjacent property owners to use as side yards.

The land bank would be self-sufficient, Holley said. As many as 250 pieces of abandoned property could be acquired over the course of the home rule pilot program. It would result in a savings of \$437,000 in demolition costs, generate a \$70 million increase in property values and pump an additional \$346,000 into the county's delinquent tax sales fund, Holley said.

Panel members appeared to support the land bank concept, but had a few concerns about the county's role.

"The county has a process it has to follow in state statute, but this proposal disrupts that," said panelist Chris Fletcher. "I don't disagree that a solution to this problem needs to occur, but I'm lost on how the county will be impacted by this."

Panel members did not take issue with a companion proposal requiring insurance companies to place a portion of the proceeds from a fire insurance claim in an escrow account.

If the owner pays to tear down a fire-damaged property within a certain amount of time, the money in the escrow account would be returned to the owner. But if the owner walks away, the city would use the money in the account to pay for demolition.

Holley said when a structure is gutted by fire, it's common practice for the property owner to pocket the insurance claim check and leave the city to pay for the cleanup and neighbors to deal with problems that arise from living next to a charred structure.

About 42 percent of the 70 structures that caught fire in Huntington last year and needed to be demolished or required major renovations had insurance, Holley said.

"However, I can count on one hand the property owners who stepped forward and used their insurance claim proceeds to tear down the buildings," he said. "That leaves us to spend public

money to take care of private concerns."

The proposal could save \$1 million in demolition costs over the course of the five-year home rule program, as well as increase property values by \$4 million and generate \$321,000 in delinquent fees and taxes, Holley said.

The city's home rule plan also includes several specific proposals for strengthening collection efforts, one of which would allow the city to file statutory liens against delinquent accounts.

The city's only option now is to get a judgment lien in court, city attorney Scott McClure said. Statutory liens take less time to file and are less expensive, he said.

The city also wants to require that delinquent fees be paid before property is transferred, that municipal taxes and fees be collected along with delinquent property taxes and that interest and penalties be tacked onto delinquent accounts to encourage timely payment.

The changes could generate an additional \$2 million to \$3 million in revenue during the course of the pilot program, according to the plan.

The proposal that figures to be the most controversial if Huntington's home rule plan is approved is implementing a 1 percent occupation tax.

The new tax would allow the city to repeal the \$2-a-week user fee and reduce the business and occupation tax. Marshall University's Center for Business and Economic Research projects a 1 percent occupation tax would generate between \$8 million and \$11 million. City officials did not indicate how much the business and occupation tax would be reduced.

An occupation tax is a tax on earnings (wages, salaries and commissions) related to a job or profession.

Jones said the reason for the request is not to place additional tax burdens on the citizens of the city, but to create a fairer way for the city to raise revenue. The tax change would most likely be revenue-neutral, she said.

The user fee should be repealed because everyone pays the same amount regardless of income, Jones said. She also noted that the business and occupation tax, which is a tax on a business' gross revenue and the largest source of revenue for West Virginia cities, was repealed by the state in the 1980s because it is viewed as anti-business.

Mark Muchow, deputy revenue secretary for the state, said that because Huntington is a border community, some people could be double taxed if it implements an occupation tax. Ashland, for example, has a payroll tax.

"This area of the country is big on local income taxes. Kentucky, Ohio, Pennsylvania and Maryland all have them," he said. "Huntington would have to coordinate with its surrounding communities in other states to ensure you don't have any double taxation issues.

"Besides that, an occupation tax is a reasonably good revenue choice, given that surrounding states have local income-based taxes at the municipal level."

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