   

KING COUNTY AUDITOR'S OFFICE

Tax Title Properties: Proactive Approach Could Address Backlog and Reduce Risk

King County

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EXECUTIVE SUMMARY:

King County has a growing portfolio of over 1,200 tax title properties, which are generally small and of little value. Many of these properties are being used for private purposes, and holding on to these properties is risky because the county may be held liable for incidents that occur on them. While the Real Estate Services Section of the Facilities Management Division is taking some steps to improve its process for selling tax title properties, it could be more proactive in understanding and managing the risk of this portfolio. We make recommendations to improve the management of tax title properties and reduce overall risk to the county.

Tax Title Properties:
Proactive Approach Could Address Backlog and Reduce Risk

REPORT HIGHLIGHTS

What We Found

The County faces a risk of liability from holding a large portfolio of tax title properties. Many of these properties are being used for private purposes, which may increase risk to the county. For instance, we identified five separate play structures on tax title properties in King County (see examples in pictures at right). We also found instances of properties being used for access roads, outbuildings, or decks. The Real Estate Services Section (RES) of the Facilities Management Division devotes limited staff time to the management of the properties and does not have mechanisms in place to find and mitigate risks such as these. In the event of an accident on a tax title property, it is possible that the County could be held partially liable for damages.

While RES has taken key steps that will help increase sales of tax title properties, RES is generally reactive in its management of these properties. When RES learns of issues on tax title properties, it sometimes works with the Office of Risk Management to find and begin risk mitigation strategies. These steps, however, may be insufficient and sales of tax title properties are the best way to mitigate risk. Other local jurisdictions are more proactive in managing the risks of their tax title portfolios. For instance, using maintenance requests to prioritize sales, publishing updated lists of properties for sale, and alerting nearby property owners of upcoming sales.

What We Recommend

We recommend that RES more proactively manage the risk of its tax title properties by assessing the risk, use, and salability of individual properties and by taking immediate action to address the risks posed by key properties identified by this audit.

Why This Audit Is Important

King County has a large and growing portfolio of more than 1,200 tax title properties that are spread across the county. These properties, which are held in trust by the county in cases where property owners fail to pay their taxes and the properties fail to sell in a foreclosure auction, often have characteristics which make them difficult to sell. It is the responsibility of the Real Estate Services Section of the Facilities Management Division to both manage and, when appropriate, sell these properties.

Play structures built on tax title properties increase risk to county

Source: Auditor's Office and Google

Tax Title Properties:

Proactive Approach Could Address Backlog and Reduce Risk

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Managing the Risk of Tax Title Properties

SECTION SUMMARY

King County has a growing portfolio of tax title properties, and many are being used by private parties, increasing risks to the county. Tax title properties are properties that did not sell during the county's annual foreclosure auction. When properties fail to sell, they are held in trust by the county, which assumes all the risks of ownership. King County now manages about 1,200 tax title properties dispersed across the county, and unlike neighboring counties, the size of the portfolio is quickly growing. While the value of most tax title properties is very low, the County incurs a potential liability by holding these properties. This risk may be amplified since many are being used without county permission. A more proactive approach to management and sales of these properties could reduce risk, but the Real Estate Services Section (RES) may not be able to do this without more resources.

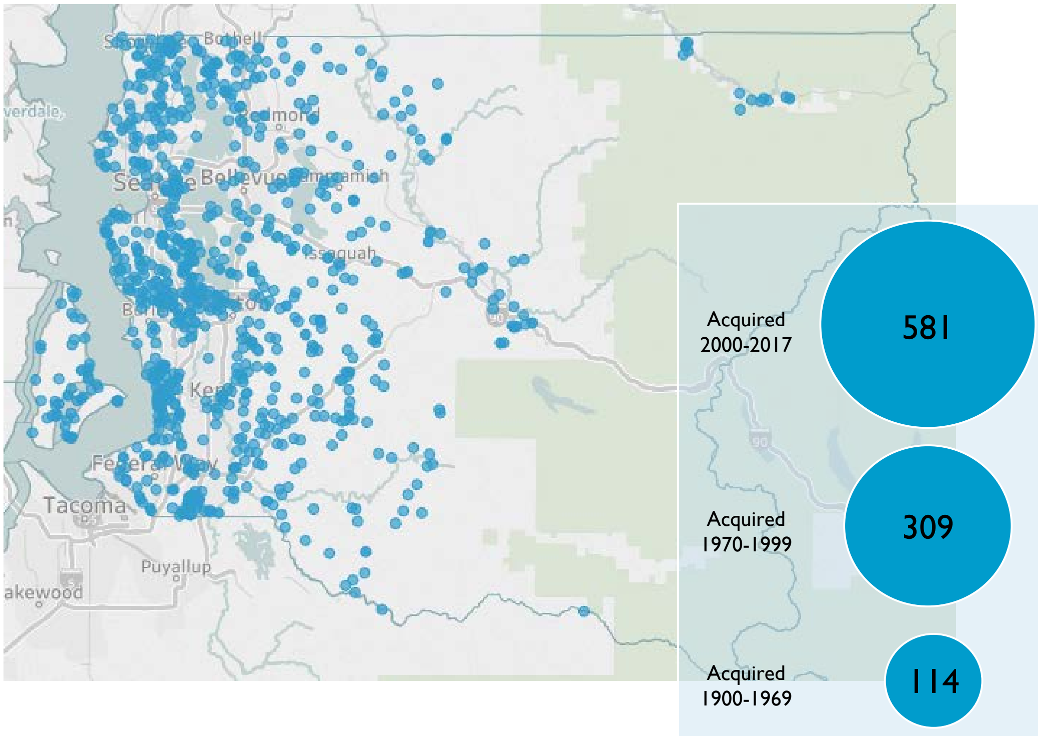
A growing tax title portfolio increases risk to the county

King County manages a large and growing portfolio of tax title properties. King County's tax title portfolio has grown to about 1,200 properties, which are dispersed across the county (see Exhibit 1, below). These properties enter the county's real estate portfolio when owners fail to pay their taxes, and after the properties do not sell during the county's annual foreclosure auction (see Appendix 1). According to data provided by the Assessor's Office, the estimated value of the entire portfolio of tax title properties is about $15.2 million.[1] However, the large majority of tax title properties are estimated by the Assessor to have very little value. For example, 72 percent of tax title properties are estimated by the Assessor to be worth $1,000 or less. Many of these properties are small strips of property with little value, or have other characteristics which would deter potential owners from buying them (see photo examples in Appendix 2).[2] Some of these properties have been in the portfolio for many decades, but nearly half of the current tax title properties have been acquired since 2000. The large number of recently-acquired tax title properties is likely the result of the economic factors as well as the county's passive approach to selling these properties, which we discuss later in this report.

[1] Per state law, the Assessor's Office is not required to formally appraise tax title properties. The Assessor's Office recently began appraising tax title properties, but has not yet appraised them all. Therefore, the 2018 estimated value of $15.2 million is not as rigorous of an estimate as it would be if all properties had been formally appraised.

[2] In a review of aerial photographs and street view images of 321 randomly selected tax title properties, we found many that were small strips, off shapes, and inaccessible. For more information on our review, see our Statement of Compliance, Scope, Objective & Methodology.

EXHIBIT A: King County's tax title property holdings have grown significantly since 2000, and are dispersed across the county.



Source: King County Auditor's Office analysis of Real Estate Services and Assessor data, as of September 2017.

Note: Real property holdings only; does not include mineral rights.

King County's tax title holdings have grown faster than other counties' holdings

Compared to two neighboring counties, King County has a larger number of tax title properties and has had the largest net increase in tax title properties since 2013. Over the past five years, King County acquired 171 tax title properties and sold 29, and as a result has had a net increase of 142 tax title properties during this time. In Snohomish County, the number of tax title acquisitions were greater than sales, yet they only experienced a net increase of 62 properties. At the same time, Pierce County had a net decrease in tax title properties, acquiring 272 properties and selling 340 properties. The reason for the large difference between King County and others is that other counties are more proactive in managing tax title properties. We refer to these promising practices throughout this report. See Exhibit 2, below.

EXHIBIT B: King County's tax title portfolio is larger than the portfolios of peer counties

County	No. of tax title properties	No. acquired since 2013	No. sold since 2013	Net change in tax title holdings
SNOHOMISH	251	107	45	62 ↑
PIERCE	749	272	340	68 ↓
KING	1,219	171	29	142 ↑

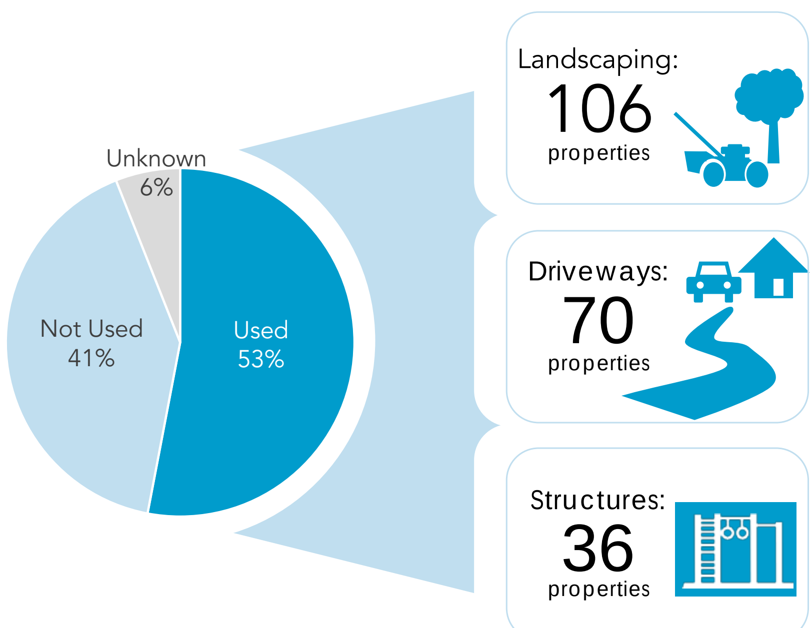
Source: Auditor's Office analysis of King County and peer data, as of December 2017.

Note: We also collected data from Island County. However, because Island County is significantly smaller we did not include its data here.

Risk to the county may be increased by private use of tax title properties

Many tax title properties are being used by private parties, increasing the county's potential liability for damages. Tax title properties are often used for private purposes, increasing the chances of adverse events, and amplifying the risk of the county being held responsible for damages. Using aerial photos, street view photographs, and site visits, we reviewed 321 tax title properties and found that a large amount—53 percent—are being used for private purposes.[3] The most common uses were lawns or landscaping and roads or driveways. Other uses included structures, such as playgrounds and outbuildings, and vehicle parking. See Exhibit 3, below.

EXHIBIT C: More than half of the tax title properties we reviewed are being used for private purposes, increasing risks to the county



Source: Auditor's Office analysis of aerial maps of 321 randomly selected tax title properties (maps from King County Assessor's Office, 2015).

[3] The 321 randomly selected tax title properties in our review represent over 25 percent of all tax title properties in King County's inventory.

We found several instances of elevated risk

We observed uses of properties that elevate risk to the county. During our review, we found at least five examples of tax title properties with non-county playgrounds built on them, a use which elevates the risk of liability to the county. One of these playgrounds was built on property with known powerline clearance issues, and on the day we visited in December, the entire play area beneath the equipment was covered in ice. On another property, a playground was built alongside large drainage structures, exposing children to added hazards, and increasing the risk of injury occurring. See photographs below in Exhibit 4.

EXHIBIT D: Play structures built on tax title properties may expose children to hazards.

Source: Auditor’s Office and Google

Recommendation 1

The Real Estate Services Section should work with the Office of Risk Management to take immediate action to mitigate the risks posed by play structures on tax title properties within King County.

Status as tax title does not diminish risk

The status of properties as tax title does not diminish their risk to the county. Under state law, tax title properties are not technically owned by the county; they are held in trust for junior taxing districts. Nevertheless, because the county manages these properties it assumes all the risks of ownership. While it is difficult to quantify these risks, owning more properties increases the chances of bad things happening, and the county being held responsible for damages to property or injuries to people.

RES does not have a full understanding of county tax title holdings and risks

Real Estate Services has limited knowledge of the characteristics of the properties in its portfolio, and therefore, cannot manage risk. According to the Office of Risk Management, the County should be aware of what it owns and what is on its properties. RES has taken some steps to understand conditions on tax title properties, and has reviewed at least 375 tax title properties since 2011. RES conducts these reviews on properties near bodies of water to ensure that the County is in compliance with the Clean Water Act. While these reviews primarily focus on water pollution and runoff, RES has also discovered issues such as structures and driveways, and identified potential buyers. However, since these reviews have not been conducted across the tax title portfolio, RES is unaware of what is happening on many properties, and cannot develop strategies for mitigating those risks.

RES contracted with the Water and Land Resources Division to physically inspect each of the 375 properties, at a cost of $350 to $440 per inspection. While it might be necessary to physically inspect properties located near bodies of water for purposes of the Clean Water Act, important information about other tax title properties can be learned at a much lower cost simply by reviewing King County Assessor's data, such as aerial photos of the properties.[4]

Recommendation 2

The Real Estate Services Section should conduct and document an assessment of its tax title holdings as of January 1, 2018 to identify risks presented by properties.

Recommendation 3

Based on the types of risks identified in the assessment in Recommendation 2, the Real Estate Services Section should set up practices to assess and address the risks of current tax title properties and new tax title properties that enter the county's portfolio each year.

Permits could help transfer some risk

Real Estate Services is not requiring users of tax title properties to obtain a special use permit, which could help transfer risk. When sale of a property is not possible, such as when adjacent property owners are reluctant to buy the tax title property they are making use of, one way that RES could address the risks associated with tax title properties is to require users to get special use permits. RES can issue permits for uses like driveways or parking strips, charge one-time or ongoing fees, and effectively transfer liability to those that are using the property. This strategy has been used by the King County Parks Department when private property owners encroach on trails. Although RES has the authority to issue these permits and set associated fees, we identified only two instances of special use permits being issued on a tax title property over the past five years.

[4] Our review of a sample of tax title properties was based on a review of aerial photos of the parcels that is publicly available from the Assessor's Office. Our review resulted in similar information about the properties (for example, use and potential liabilities) as the physical inspections conducted by RES.

Recommendation 4

The Real Estate Services Section should use its authority to require special use permits for the ongoing use of tax title properties when current users are unwilling to purchase the property.

Tax Title Sales

SECTION SUMMARY

King County could increase sales of and reduce the risks associated with tax title properties by using proactive approaches used by other counties. While RES has taken key steps that will help increase sales of tax title properties, these steps alone will not address the current backlog or potential growth of the tax title inventory. RES told us that over the past several years it did not seek out potential buyers or promote tax title sales because of limited staff time and the minimal amount of revenues it receives from tax title sales. Other counties are more proactive in managing the risks of their tax title portfolios and successfully leveraged technology to increase sales, without incurring significant costs. These promising practices could benefit King County.

Key changes will increase the ability of RES to sell tax title properties

Real Estate Services has taken key steps to help improve its ability to sell tax title properties. Selling tax title properties is one way that King County can address the large number of tax title properties. In November 2017, the King County Council approved an ordinance that will allow RES to sell tax title properties more efficiently, most notably by increasing the threshold for Council approval of sales to $500,000. This change will also allow King County to adopt an online auction process, and no longer requires tax title property sales to be governed by the county's broader and more extensive surplus real property sales process[5]. RES is planning to begin using online auctions to sell tax title properties in 2018, as other counties do. These represent positive steps toward reducing the risk to the county caused by tax title properties.

RES is reactive in its efforts to sell and manage tax title properties

Despite these steps in recent years, Real Estate Services has had a reactive rather than proactive approach to tax title sales, which means risk to the county has been accumulating rather than diminishing. Rather than seeking out potential buyers, for several years RES has only sold tax title properties to parties that contacted RES directly. In fact, RES posted a statement on its website for two years stating that it was not selling properties at all. According to RES, it was only processing sales of tax title properties where the cost of staff time could be covered by the sales revenue. Since the low value of these properties likely caused them to be tax title in the first place, very few tax title properties wound up being sold during this time.

Real Estate Services is not leveraging or using proactive approaches to increase sales and reduce tax title risks. We interviewed real estate management officials from Pierce, Snohomish, and Island counties and reviewed online materials to learn about their practices in selling tax title properties.

[5] King County Ordinance 18603

We learned that, while other counties face similar challenges to those in King County, these counties are more proactive in their efforts to sell tax title properties. For example:

- **Using maintenance requests to identify high-risk properties and prioritize sales.** In one county, the real estate management section uses maintenance requests, like phone calls to address fallen trees, to help identify tax title properties to include in future sales. The maintenance request on a tax title property acts as a low-cost mechanism for identifying properties that have cost the county money in the past, and may cost the county more money to maintain in the future.
- **Providing updated lists of tax title properties online.** Snohomish and Pierce counties information include updated lists of tax title properties available for sale as of 2017. In contrast, RES's website has a list of all county properties and the site has not been updated since 2015.
- **Using online interest forms to identify prospective buyers and prioritize sales.** Another low-cost mechanism used in a neighboring county is to use the real estate management section's website to collect information about prospective buyers, and identify properties that should be included in future auctions. Pierce County has an online form, and Snohomish County has the direct email and telephone numbers of its sales manager. In contrast, RES has a PDF document linked on its website that describes the foreclosure and tax title sales process. The PDF document does not have RES contact information for those that are interested in purchasing a property. Instead, it has links to other county departments that may have information for evaluating tax title properties, and a Facilities Management Division customer service number for people making service requests, like building maintenance.
- **Reviewing online maps to identify and contact nearby property owners who may be interested buyers.** One county described its practice of using online property maps to gather information, like mailing addresses of nearby property owners, and using this information to notify them of upcoming sales. Because of the characteristics of tax title properties, nearby owners may be the only ones interested in purchasing these properties. In our review of King County tax title property, we also noted that several bordered properties owned by King County and other jurisdictions, like parks, school districts, water districts, and incorporated cities. Leveraging this geographic information could help reduce the inventory by identifying potential buyers for the properties. This is something Island County reports doing in the past, transferring properties to other governmental entities, such as the county parks department, the State Department of Natural Resources, and nature conservancy groups.

Recommendation 5

The Real Estate Services Section should establish and document practices to identify and prioritize tax title properties to include in future auctions.

Recommendation 6

The Real Estate Services Section should establish and document practices to identify potential buyers of tax title properties.

Addressing risk may require short-term resources

Real Estate Services allocates few resources to manage tax title properties. RES staff is responsible for a range of county real estate activities, and during 2016 the hours spent managing tax title properties amounted to about 0.5 FTE. This is higher than Pierce County, which has processed more tax title sales in the last several years but only dedicated about .33 FTE to managing and selling these properties. Being more proactive in understanding what the county owns, evaluating risks, working to sell properties, and issuing special use permits would involve more effort than RES currently devotes to tax title property management. To the extent that more proactive management results in more sales or permits, the costs of the work could potentially be offset by added revenue, as state law authorizes the county to recover the cost of selling tax title properties from sales proceeds, and county code allows RES to establish and collect special use fees.

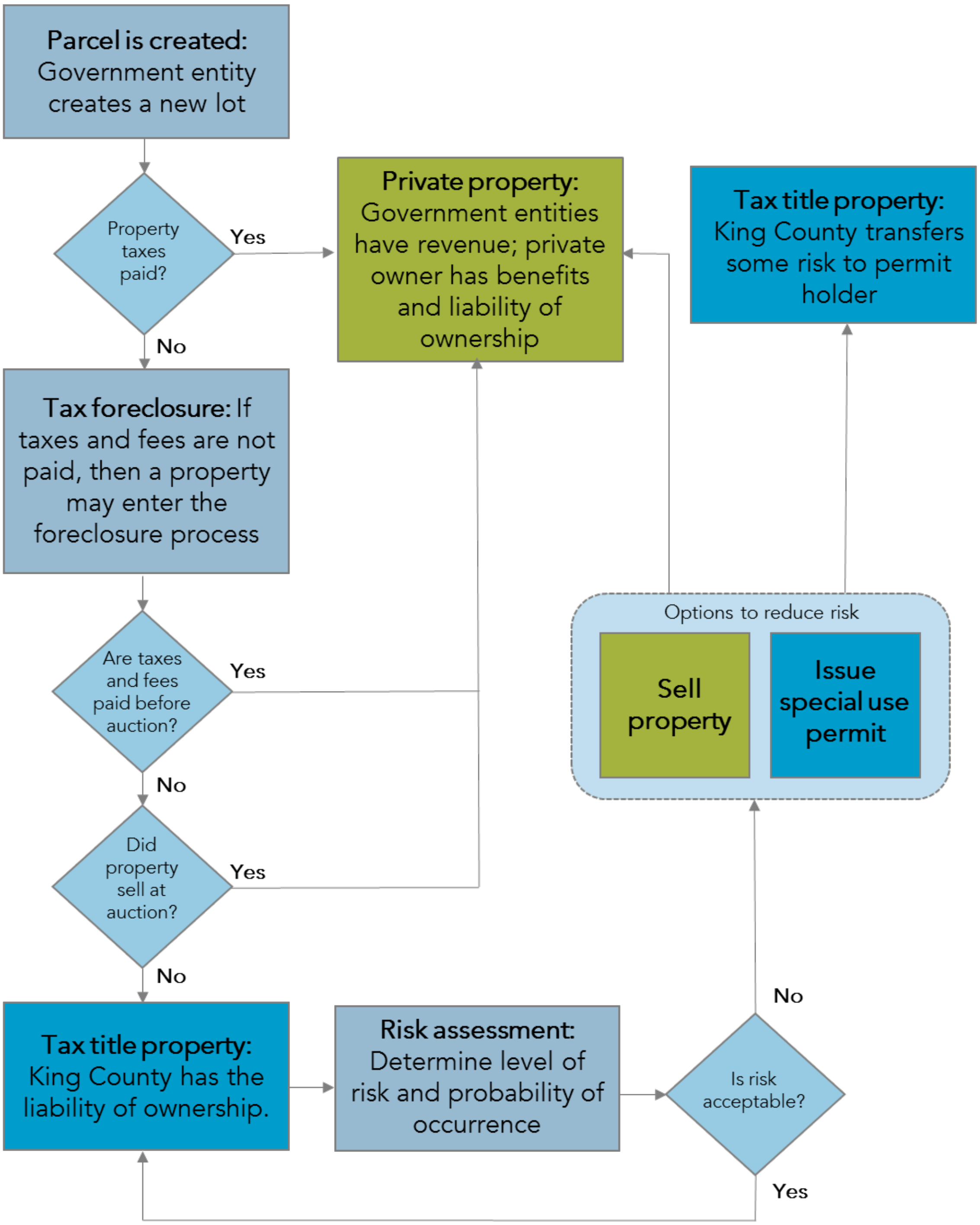
Revenue from added sales of tax title properties may be able to support added staff, at least temporarily, while RES works to reduce the size of the portfolio. It can do this by selling properties that have value, and/or properties that are being used. However, it also seems likely after a few years of online auctions and more proactive management by RES, there will remain in the portfolio some properties with little value and that nobody wants to buy. At that point, there may no longer be enough revenue from property sales to support a higher level of resources.

Recommendation 7

The Real Estates Services Section should define the body of work required for the management of tax title property risk mitigation and sales, assess the capacity of existing staff to more proactively manage the county's tax title portfolio, and request temporary staff resources if necessary.

Appendix 1

Lifecycle of Tax Title Properties



Source: Auditor's Office analysis

Appendix 2

Examples of Tax Title Properties Being Used for Private Purposes

Source: Aerial photographs from King County Assessor's Office (2015) and Google Maps

Executive Response

King County

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RECEIVED
February 15, 2018
KING COUNTY AUDITOR'S OFFICE

February 15, 2018

Kymber Waltmunson
King County Auditor
Room 1033
COURTHOUSE

Dear Ms. Waltmunson:

Thank you for the opportunity to review and comment on the proposed final report *Tax Title Properties: Proactive Approach Could Address Backlog and Reduce Risk.*

Tax title properties are properties that the County owns in Trust due to the property owner's forfeiture based on failure to pay property taxes. King County has a portfolio of over 1,200 tax title properties, many of which, as noted in the report, are generally small and of little value. Due to the nature of the properties and their lack of value, selling the majority of these properties will cost the County more in labor and processing than the revenue generated from the sales. We agree, however, that there are liabilities inherent with certain properties in the tax title portfolio that make selling the properties as a risk mitigation strategy a proper course of action.

We concur with all of the recommendations in the report with the exception of the use of special use permits (SUP) for risk transfer to which we partially concur. While we agree that the sale of these properties or risk assumption by a third party is highly recommended, our experience has shown that for many of the tax title property situations such as with the playground equipment example you noted in the report, the Facilities Management Division (FMD) has been unable to find a responsible individual or organization that could or would accept a SUP and the associated indemnification and insurance requirements.

The report's recommendations validate the approach Real Estate Services (RES) has pursued to limit the County's liability and increase revenue. It is important to note that code compliance, labor costs and risk mitigation costs have limited RES' ability to act on these recommendations. RES currently is not budgeted to enact these recommendations, and, due to the limitations of the General Fund, significant staff reductions has exacerbated this resource shortfall.

Kymber Waltmunson
February 15, 2018
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Over a year ago, RES worked diligently on a King County Code revision which would ease the legislative requirements on the sale of tax title properties. This Code revision enacted in November 2017 will enable RES to sell certain tax title properties more efficiently, significantly reducing the labor costs associated with each sale. RES has been actively working since enactment to bolster the volume of tax title sales and to create an online system for these sales similar to the successful efforts in Treasury for tax foreclosure sales.

Thank you for collaborating on this important work. If you have any questions regarding our audit response, please contact Bryan Hague, Section Manager, Real Estate Services, Facilities Management Division, Department of Executive Services, at 206-477-9349.

Sincerely,

FOR

Dow Constantine
King County Executive

Enclosure

cc: Casey Sixkiller, Chief Operating Officer, King County Executive Office (KCEO)
Rachel Smith, Chief of Staff, KCEO
Dwight Dively, Director, Office of Performance, Strategy and Budget
Caroline Whalen, County Administrative Officer, Department of Executive Services (DES)
Anthony Wright, Division Director, Facilities Management, DES

Recommendation 1
The Real Estate Services Section should work with the Office of Risk Management to take immediate action to mitigate the risks posed by play structures on tax title properties within King County.

Agency Response	
Concurrence	**Concur**
Implementation date	Unknown until resourced
Responsible agency	Real Estate Services and the Office of Risk Management
Comment	This activity is limited by capacity and resources. Only a few of these properties can be identified by aerial maps, the majority of these properties must be identified by physical inpections.

Recommendation 2
The Real Estate Services Section should conduct and document an assessment of its tax title holdings as of January 1, 2018 to identify risks presented by properties.

Agency Response	
Concurrence	**Concur**
Implementation date	Unknown until resourced
Responsible agency	**Real Estate Services**
Comment	Due to the volume of tax title properties, conducting a risk assessment of tax title holding is limited by capacity and resources.

Recommendation 3
Based on the types of risks identified in the assessment in Recommendation 2, the Real Estate Services Section should set up practices to assess and address the risks of current tax title properties and new tax title properties that enter the county's portfolio each year.

Agency Response	
Concurrence	**Concur**
Implementation date	180 days after sufficient resourcing
Responsible agency	**Real Estate Services**
Comment	There are liabilities inherent with certain properties in the tax title portfolio that make selling the properties as a risk mitigation strategy a proper course of action. However, Real Estate Services is limited by capacity and resources.

Recommendation 4
The Real Estate Services Section should use its authority to require special use permits for the ongoing use of tax title properties when current users are unwilling to purchase the property.

Agency Response	
Concurrence	**Partially concur**
Implementation date	N/A
Responsible agency	**Real Estate Services**
Comment	While the recommendation is logical our experience has shown that for many of the tax title property situations such as with the playground equipment example noted in the report, FMD has been unable to find a responsible individual or organization that could or would accept a SUP and the associated indemnification and insurance requirements.

Recommendation 5
The Real Estate Services Section should establish and document practices to identify and prioritize tax title properties to include in future auctions.

Agency Response	
Concurrence	**Concur**
Implementation date	June 30th, 2018
Responsible agency	**Real Estate Services**
Comment	RES is in the process of drafting standard operating procedures to identify and prioritize properties. RES has engaged in discussions with online auction bid companies in an effort to bundle the sale of prioritized tax title properties.

Recommendation 6
The Real Estate Services Section should establish and document practices to identify potential buyers of tax title properties.

Agency Response	
Concurrence	**Concur**
Implementation date	June 30th, 2018
Responsible agency	**Real Estate Services**
Comment	RES is drafting standard operating procedures to identify potential buyers of tax title properties in addition to responding to inquiries that have been logged.

Recommendation 7

The Real Estates Services Section should define the body of work required for the management of tax title property risk mitigation and sales, assess the capacity of existing staff to more proactively manage the county's tax title portfolio, and request temporary staff resources if necessary.

Agency Response	
Concurrence	**Concur**
Implementation date	Fiscal Year 19/20 submission
Responsible agency	**Real Estate Services**
Comment	RES is assessing the staffing requirements to respond to this recommendation. This audit will be used as part of the staffing assessment.

Auditor Response

We are pleased that the County Executive concurred with six of our seven recommendations and partially concurred with the remaining recommendation. However, the Real Estate Services Section (RES) indicates in its proposed implementation timelines for recommendations one through three that implementation is dependent upon obtaining additional resources. This unclear implementation timeframe does not sufficiently mitigate risk to the county and may overstate resource needs.

We suggest that RES review the proposed timelines and identify ways to begin implementation promptly for items that present a high risk to the county, particularly for the five playgrounds we identified in our audit. We go into more specific detail about particular recommendations below.

Recommendations 1-3: These recommendations direct RES to identify and address risks on tax title properties, which is important to minimize risk to the county. RES concurred with each of the recommendations but indicated that implementation of these recommendations is dependent upon obtaining additional resources. However, RES can begin implementing these recommendations with current resources. In our audit, we point out that RES is unaware of what is happening on many tax title properties, and so cannot sufficiently address risks. We also demonstrate through our own methodology that there are low-cost methods to identify property characteristics and risks without a physical inspection of each property.

While these methods may not be sufficient to identify all property characteristics and risks, RES can and should be used to identify particularly risky properties and direct county resources to address them. For instance, the five playgrounds we discovered in our audit pose a significant risk to the county and RES should therefore take steps to implement recommendation one immediately.

Recommendation 4: This recommendation directs RES to pursue special use permits on tax title properties that are being used by private parties. This would allow the county to transfer the risk of such use away from the county. RES partially concurred with this recommendation, but listed "N/A" as the implementation date. After discussing this response with RES, we learned that RES agrees with the recommendation and will pursue special use permits on tax title properties. RES stated that it listed "N/A" as the implementation date because it did not think it would be able to implement a special use permit on all tax title properties that are being used. For example, in some cases RES may not be able to identify who is using the property, or require the user to agree to a special use permit.

We acknowledge these concerns and will consider this recommendation implemented when RES provides several examples of it issuing special use permits to private parties that are using tax title properties and an ongoing process to continue review for and issuance of permits.

Statement of Compliance, Scope, Objective & Methodology

Statement of Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope of Work on Internal Controls

We assessed internal controls relevant to the audit objectives. This included review of selected state, county, department, and division policies, guidance, plans, and processes. We also conducted interviews with knowledgeable staff in various elements of King County government, including the Assessor's Office, the Department of Permitting and Environmental Review, the Office of Risk Management, the Prosecuting Attorney's Office, the Real Estate Services Section, and the Treasurer's Office. In performing our audit work, we identified concerns related to the use of tax title properties by private parties, and identified promising practices that will help King County reduce the risks associated with a large tax title portfolio.

Scope and Objectives

This performance audit evaluated the acquisition, management, and sales of tax title properties in King County. The audit primarily focused on the Real Estate Services Section of the Facilities Management Division, but also included evidence from other county entities. The objectives of this audit were to identify the characteristics and potential risks associated with King County's tax title properties, assess the Real Estate Services Section's efforts to address risks, and identify practices to improve tax title property management and sales.

Methodology

To identify the characteristics and risks of King County's tax title properties, we analyzed size, location, and assessed value data provided by the Assessor's Office. To further understand risks and the process by which tax title properties are created, we interviewed staff from the Real Estate Services Section, the Assessor's Office, the Department of Permitting and Environmental Review, the Office of Risk Management, the Prosecuting Attorney's Office, and the Treasurer's Office. To identify other characteristics of tax title properties and assess risks present on those properties, we analyzed geographic data from a random sample of 321 tax title properties. These 321 properties represent about one third of the current tax title portfolio.[6] Using the most currently available aerial maps of the county on the Assessor's website (from 2015), we reviewed each property to assess how properties were being used and to identify relevant characteristics that might impact the salability of the parcels. In some instances, we also used street view and three-dimensional map images from Google to further understand how the properties were being used, and conducted site visits on a select group of properties. The categories we used in our assessment were developed based on feedback with the Real Estate Services Section and other county entities during the review. The main categories and definitions are shown in Exhibit 5, below.

[6] About 200 of the 1,200 tax title properties are mineral rights. Because mineral rights are not physical real estate and could not be assessed for use or characteristics, we removed them from our sample.

EXHIBIT E: Categories of use and characteristics used in King County Auditor's Office GIS analysis of tax title properties

Types of use		Types of characteristics	
STRUCTURE	House, shed, dock, playground equipment or other building on the property	STRIP OF PROPERTY	Property is a narrow strip
ACCESS ROAD	Access road or driveway to one or more properties	NOT CONTINUOUS	Property is not continuous
VEHICLE	Car, truck, boat, or machine on the property	ODD SHAPE	Property is in a shape that is markedly different from nearby parcels
LAWN OR LANDSCAPING	Property has obvious lawn care or landscaping relative to nearby property	INACCESSIBLE	Property could not be accessed by land without egress over other parcels

Source: Auditor's Office analysis

There are some limitations to our analysis. According to the Assessor's Office, the parcel boundary lines shown in the aerial maps may not always match actual legal boundaries of the parcel. This means that private use could appear to be happening on a tax title property as drawn on the Assessor's map, but it is actually happening within the legal boundary lines on a private property nearby. To reduce the risk of miscoding, we did two things. First, we included a category of "could not be determined" in our types of use and characteristics. When a use was not clearly occurring on a tax title property, our analysts used this code. Second, we established practices for intercoder reliability. Prior to dividing the sample for coding, two coders independently coded 25 identical parcels, and coding was checked for reliability. Discrepancies in coding were discussed and led to updates to the coding scheme, and this ensured that coding was consistently and accurately applied.

We identified promising practices for tax title management and sales by analyzing quantitative and qualitative data from three local jurisdictions: Pierce, Snohomish, and Island counties. We chose Pierce and Snohomish counties because of their proximity and geographic similarity to King County. We chose Island County because it recently underwent a concerted effort to reduce its tax title holdings.

Recommendations & Implementation Schedule

Recommendation 1

The Real Estate Services Section should work with the Office of Risk Management to take immediate action to mitigate the risks posed by play structures on tax title properties within King County.

IMPLEMENTATION DATE: Unknown until resourced

ESTIMATE OF IMPACT: Addressing the risks posed by play structures on tax title properties will reduce the potential for the county being responsible for adverse events that occur on these properties.

Recommendation 2

The Real Estate Services Section should conduct and document an assessment of its tax title holdings as of January 1, 2018 to identify risks presented by properties.

IMPLEMENTATION DATE: Unknown until resourced

ESTIMATE OF IMPACT: Knowing what is happening on tax title properties is critical for understanding risks, and estimating the amount of resources needed to mitigate those risks.

Recommendation 3

Based on the types of risks identified in the assessment in Recommendation 2, the Real Estate Services Section should set up practices to assess and address the risks of current tax title properties and new tax title properties that enter the county's portfolio each year.

IMPLEMENTATION DATE: 180 days after sufficient resourcing

ESTIMATE OF IMPACT: Establishing a process for assessing new tax title properties as they enter the portfolio each year means the County will learn about risks earlier, decreasing the chance of adverse events.

Recommendation 4

The Real Estate Services Section should use its authority to require special use permits for the ongoing use of tax title properties when current users are unwilling to purchase the property.

IMPLEMENTATION DATE: N/A

ESTIMATE OF IMPACT: Issuing special use permits will transfer some of the risks associated with tax title properties to the people that are using them and will also generate revenue to help cover the cost of issuing the permits.

Recommendation 5

The Real Estate Services Section should establish and document practices to identify and prioritize tax title properties to include in future auctions.

IMPLEMENTATION DATE: June 30, 2018

ESTIMATE OF IMPACT: Having an established practice for identifying and prioritizing properties will help ensure that important work is done, lessons are learned, and increase the chance that risky properties are sold.

Recommendation 6

The Real Estate Services Section should establish and document practices to identify potential buyers of tax title properties.

IMPLEMENTATION DATE: June 30, 2018

ESTIMATE OF IMPACT: Having an established practice for identifying potential buyers will help ensure that important work is done, lessons are learned, and increase the chances that tax title properties are sold.

Recommendation 7

The Real Estates Services Section should define the body of work required for the management of tax title property risk mitigation and sales, assess the capacity of existing staff to more proactively manage the county's tax title portfolio, and request temporary staff resources if necessary.

IMPLEMENTATION DATE: Fiscal year 2019-20 submission

ESTIMATE OF IMPACT: By defining the work that needs to get done and assessing current capacity, the Real Estate Services Section will be able to make a more informed proposal for what it needs to do to manage and sell properties in the tax title portfolio.

KING COUNTY AUDITOR'S OFFICE

Advancing Performance & Accountability

KYMBER WALTMUNSON, KING COUNTY AUDITOR

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