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A solution to rehab Memphis' vacant and abandoned homes? How a program aims to do that

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***Update:** This story has been updated to correct the first name of Vincent Sawyer, staff attorney with The Works.*

An Overton Park home recently underwent a full rehab after a Memphis nonprofit utilized a unique legal strategy to revitalize the property.

In 2018 the occupant at 1663 Lawrence Ave. died. The relatives of the deceased occupant lived out of town and did not maintain the property's upkeep.

For the next three years, the vacant and abandoned home became a public nuisance to its neighbors and community. The numerous problems included mold, rodent infestation, a dilapidating roof and large trees in danger of falling.

Through receivership, a Shelby County Environmental Court program made possible through state statute, a third-party group was able to begin rehabbing the home last summer. Now the three-bedroom, two-bath home is 90% renovated including a new office space, kitchen and outdoor patio, said Vincent Sawyer, staff attorney for The Works, which is working on the project.

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How receivership works in Shelby County

An amendment to the Tennessee Neighborhood Preservation Act in 2018 made the Overton Park home rehab (and future ones) possible. The change — called receivership — allowed

a plaintiff in Shelby County Environmental Court to file suits directly against properties, bypassing owners, that were deemed public nuisances.

Receivership is often sought in situations where the owner has died, cannot be contacted or the home is owned by an LLC that no longer exists, and the home is vacant, abandoned and potentially hazardous to the community in its current state.

There are currently 31 properties eligible for receivership in Shelby County, as of June 3, according to the court's website.

If a case meets this criteria, Shelby County Environmental Court can appoint a "receiver," a third party who successfully submitted a receivership application and is responsible to pay back taxes and completely rehab the property.

"In order to be appointed by the court as a receiver, you need to be able to fill out an application, submit a motion and a development plan, which provides for a detailed estimate, budget, timeline of what you plan to do if appointed receiver," Sawyer said.

On the Lawrence Avenue home rehab, Shelby County Environmental Court appointed Tennessee Receivership Group LLC as the property's receiver, which The Works is legally representing on this project.

The Works is a South Memphis-based nonprofit with the mission to renew Memphis neighborhoods through innovation, advocacy and collaboration. Tennessee Receivership Group is a subsidiary of the California Receivership Group.

Through the court order, Tennessee Receivership Group legally stepped in on behalf of the owners to complete the rehab on the Overton Park property. The rehab started in September 2021 and is set to be completed this month, Sawyer said.

Tennessee Receivership Group spent an estimated \$200,000 to rehab the home and paid \$70,000 in back taxes, Sawyer said. While The Works has used receivership to complete partial rehabs, the Lawrence Avenue home is its first full rehab project under the legal strategy.

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Alternative to a tax sale

Brigid Welsh, University of Memphis Neighborhood Preservation Clinic attorney, said there are about 10-15 active receiverships in Shelby County, and the program continues to grow each year.

“Receivership is really the only solution we have found to rehab those properties other than a tax sale, and a tax sale process is complicated and takes a longer time,” Welsh said. “I think it will grow as it is one of the very few tools we have to get these properties brought back to their useful and intended purpose.”

Once the development plan is completed, the receiver will file a final report to the court indicating the public nuisance has been removed and the home is inhabitable again.

After the home is deemed inhabitable, the court determines what the "receiver's lien" is for the rehab. That lien includes the receiver's expenses and any back taxes along with the receiver's fee, 10% of the receiver's expenses on the rehab, Sawyer said.

For this rehab, the receiver's lien would include the \$200,000 toward construction fees and \$70,000 in back taxes.

"Once the amount of the lien is established by the court, the owner has 30 days to satisfy the lien in full," Sawyer said. "If the owner doesn't, the court will authorize the receiver to auction the property to satisfy the receiver's lien. The minimum bid at auction is the receiver's lien. If the property sells for more than the minimum bid, then those excess proceeds go to the owner."

The court recently determined the nuisance at Lawrence Avenue has been abated, and the property will be available in an auction July 1, Sawyer said.

“This receivership solution is a way to give these properties life, because generally what would happen is that the city would come in and demo the property,” he said. “That is going to cost the city money, taxpayers money one, two it is going to leave a lien on the property, the demo lien plus any back taxes ... which will be way more than what the property is worth, because it's underwater now.”

Memphis' real estate market in the past two years has seen low inventory and high home sale prices. That's resulted in a competitive marketplace, so the possibility of even a handful of additional homes being available could make the difference for a few fortunate homebuyers.

“The Works intends to continue to represent Tennessee Receivership Group with receivership appointments in the future and potentially other receivers that want to get involved,” Sawyer said. “Currently, TRG has been appointed for over 10 receiverships with more to come.”

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