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Administrative Fines and Liens Overview

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Fine Reduction Policy History Ordinance 2006-631-E

Initial Policy:

Council passed revisions to Ordinance Ch. 91 (creating Sec. 113 and 114) in July of 2006. Section 113 called for the establishment of a Policy by which fines could be reviewed for settlement. In October of 2006, Mayor John Peyton, approved the Special Magistrate Policy for Reduction of MCEB Fines.

Current Policy:

In 2015, this policy (renamed "Amended Special Magistrate Policy for the Reduction of MCEB/Special Magistrate Fines, the Subordination of Lien Debt, and Partial Releases") was revised to broaden the scope of scenarios that could be addressed by the policy.

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What the Policy Addresses

Who the Policy assists:

- Respondent (the person assessed the fine) requesting settlement of an administrative fine
- New Owner (someone who has or may purchase a property encumbered by an administrative fine) requesting settlement/release of the fine.

Factors considered in the Policy:

- Types of violations
- Status of the violations
- Time taken to comply

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2015 Policy Revision

Additional Alternatives:

- For a new owner of a non-violating property to request a partial release from an attached administrative fine.
- For an existing or prospective owner to request temporary subordination of an administrative fine to a bona fide lender (via escrow agreement).
- Partial release to facilitate the sale of a non-violating property in order to bring the violating property into compliance (via escrow agreement).
- And a one-time offer of additional incentive for compliance by 12/31/2016.

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2 Primary Types of Settlement

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Settlement Agreement (Prior to compliance):

- Up to 12 Months – \$1,500 upfront fee
- Up to 18 Months – \$2,500 upfront fee
- Up to 24 Months – \$4,000 upfront fee
- Longer than 12 months, refer to matrix

Request to Reduce or Rescind (After compliance):

- Reviewed per settlement matrix
- Ranges from 1% to 50% depending on factors detailed above
- New owners can get reductions to as low as \$750.00 when they purchase and comply a property in violation.

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Additional Points

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- Settlement amounts for new owners are typically lower flat fees, unless they took more than 24 months to bring the property into compliance.
- Percentage settlements are calculated based on the lesser of the fine balance or the property value.
- All settlements are contingent on compliance of the cited violations - Ch. 91.114(a)(3).
- Ordinance requires payment of all outstanding Taxes, Liens, and City Fees prior to settlement of any administrative fine – Ch. 91.114(a)(1).

Any Questions?

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Liens: Overview

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- Two general types of liens exist where the City incurred a cost to address a non-compliant property:
 - Demolition Liens
 - After a pro-longed period of non-compliance, the City stepped in, condemned the property, and demolished the dangerous structure for public safety.
 - Nuisance Liens
 - After a prolonged period of non-compliance, the City stepped in to handle the nuisance condition such as overgrowth.
 - In both cases above, the City incurred a cost on behalf of the property owner to remediate the violation and attached the lien to the subject property.
- The most current version of the City's "Nuisance and Demolition Lien Abatement and Reduction Policy" was updated 10/1/2020

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Liens: Abatement

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- Like Admin Fines, to qualify for a reduction, all other taxes, special assessments, city utility charges, and other government-imposed liens must be paid.
- Two pathways for lien reduction:
 - Tier 1 – Reduces the interest rate used to calculate amount owed to that actually incurred by the city instead of the statutory rate. This method is applied when the owner reaches out to us and proves the property is now in compliance.
 - Tier 2 – This reduction type allows for us to reduce the principal and interest amounts owed on a percentage basis of capital investment in the property to incentivize restored compliance and improvement of the property. We offer a reduction of the lien in the amount of \$1 per \$5 invested in the property on the first \$30,000 of investment and \$1 for every \$2 thereafter. This requires an agreement with the City in advance of the improvements and very often leads to a full reduction of the lien owed.
 - The owner must provide proof that the agreed upon improvements were made, that the property is in compliance, and must document receipts in the reported amount of improvements.

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Liens: Conclusion

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- Nuisance and demolition liens differ from administrative fines in that the City incurred an actual expenditure of taxpayer funds to cure a violation.
- To recover these costs, public funds must either be recovered through repayment under Tier 1 or substantial improvement to the property under Tier 2 which will lead to future improvement tax roll on the subject property.
- Both options result in a property that is brought into compliance and a restoration of value to the taxpayers.
- The City processes many lien reductions per month and has had positive feedback from the community on this process.
- Questions?



For more information, contact:

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