



May 15, 2009

Lee County tax debt auction draws buyers

Investors could get up to 18 percent interest

By *Tim Engstrom*
tengstrom@news-press.com

[2009 Lee County delinquent property taxes database](#)

A pool of more than \$116 million in unpaid property taxes is drawing investors bidding to earn interest rates of up to 18 percent on the debt.

Bidding on the Lee County Tax Collector's annual tax certificate auction ends Thursday.

"When interest rates are 1 or 2 percent for a CD, this presents a real opportunity for some people," said Ed Bonkowski, a Fort Myers-based real estate broker.

Tax certificates are issued for properties whose owners haven't paid their 2008 property taxes. Bidders compete for the right to pay any taxes and fees due so that they can collect interest on the debt from the property owner.

If the property owner doesn't pay in two years, the person who holds the certificate can initiate action to take ownership of the property to satisfy the debt.

That happens in less than 5 percent of cases, but the tax certificates are still valuable, Bonkowski said, because he expects winning bids to average about 10 percent.

"In this market, that is huge," he said.

Bonkowski said he is working with a group of partners and clients who expect to spend up to \$6 million in the auction.

Every tax collector in Florida conducts an auction each year to shift unpaid debt from each county's books to private individuals or businesses.

Lee's auction has been conducted online since 2006 and more than 4,800 people are registered to bid, said Tammy Harrison, who organizes the sale for the Lee County tax office.

"We are getting new people registering all the time," Harrison said.

Bidders name the interest rate they will require the property owner to pay and the lowest rate wins the auction. Bids can be no higher than 18 percent and are made in quarter-point increments.

Bidders also have to make deposits of at least \$300 or 5 percent of the tax bill, whichever is higher.

Tax certificates are being auctioned for about 48,200 properties with combined unpaid taxes of \$116.7 million, as of the most recent count this week.

Those numbers are down from 58,250 properties and \$144.6 million in property taxes when the auction opened May 1. The difference represents property owners who have paid their tax bill.

The parcels include vacant, nondescript residential lots with just \$359 due in taxes and large commercial parcels like the Center of Bonita plaza, at the northwest corner of U.S. 41 and Bonita Beach Road, which has \$397,603 in taxes due.

The owner of that plaza, a limited liability corporation managed by Strathmore Development Co. in East Lansing, Mich., paid \$41 million for the property in 2007, according to county records.

"We are in the process of refinancing that debt now and that is why we haven't paid," Strathmore president Scott Chapelle said. He said the bill may be paid before the auction.

As of Friday, the Center of Bonita was the second largest tax bill on the auction list, behind only a 583-acre parcel off Bonita Beach Road Southeast. That parcel, owned by a partnership that includes the Ronto Group in Naples, owed just more than \$800,000. Calls to the Naples office Thursday and Friday were not returned.

Parcels stretched from Boca Grande to Lehigh Acres. More than 30 property owners with delinquent taxes did not return calls for this story.

Whether the taxes aren't paid because the owner overlooked payment or because they don't have the money to pay, the certificates will start earning interest. Even certificates that don't sell at auction revert to the county, where they accrue the full 18 percent rate.

Fort Myers attorney Kevin Jursinski said he has participated in past auctions and regularly advises clients who bid. He said anyone can participate, but knowledge of the process and the property is helpful.

"You could end up buying a tax certificate on property that has a significant problem — like an environmental hazard or waste," Jursinski said. "If you do that, nobody is going to pay you back because they don't want it."

For people with a good feel for the property and some money to work with, the auction is tough to beat even with a potential two-year wait for a return, he said.

"It's a really nice return and a really safe return, but it is a longer hold," Jursinski said.

Additional Facts

Coming Monday

Live chat @ 11:30 a.m.: Participate in a discussion with Fort Myers attorney Kevin Jursinski, who advises clients participating in the Lee County tax certificate sale.
