MAINE REDEVELOPMENT
Preparing for possibility

When Tax-Foreclosed Properties Get Stuck, Communities Do Too

A practical path to protect property owners, support housing stability, reduce municipal costs, expand housing opportunities, and accelerate redevelopment.

Maine Redevelopment works alongside municipalities to identify vacant, abandoned, and underused properties and help communities find pathways to return them to productive use. Through that work, tax foreclosure repeatedly emerged as a significant challenge for communities across Maine. Tax foreclosure provides municipalities a process to address unpaid property taxes and, when taxes remain unpaid, can ultimately result in municipal ownership of the property. For vacant and abandoned properties, that process can also become an important pathway toward returning properties to responsible ownership and productive use.

What began as conversations about individual properties increasingly became conversations about the tax foreclosure process itself, including title uncertainty, municipal costs and risk, prolonged property ownership, and barriers to redevelopment. This research was informed by one-on-one interviews with officials from over 30 municipalities, conducted in person and virtually, providing firsthand insight into how the current tax foreclosure process is working in communities across the state. This summary and the accompanying white paper grew directly from that municipal feedback. Together, they bring forward the experiences and concerns shared by communities, examine Maine's current statutory framework and recent court decisions, and identify opportunities for further discussion and potential reform. This summary highlights the key findings and potential solutions, while the accompanying white paper provides the supporting municipal research, legal analysis, case law, and references.

As tax foreclosure law continues to evolve nationally, this work is intended to help inform Maine's ongoing policy conversation and support practical solutions that protect property owners' rights, provide municipalities with a clear and workable process, and help communities return vacant and underused properties to productive use.

THE BIG PICTURE

In 2023, the U.S. Supreme Court's Tyler v. Hennepin County decision established that government cannot keep property value beyond unpaid taxes and related costs without compensating the former owner. Maine subsequently revised its tax foreclosure process to protect former owners' rights to excess value. Municipal experience under the current framework has identified practical challenges, including title uncertainty, legal and administrative risk, higher public costs, fewer potential buyers, and delayed redevelopment. The opportunity now is to preserve these important constitutional protections while creating a clear, workable process for municipalities and returning vacant properties to productive use.

Three findings tell the story

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Tax foreclosed properties identified were vacant, most were considered dangerous. Prolonged vacancy accelerates deterioration.

CASH ONLY

Without clear insurable title, conventional mortgages are unavailable, pushing sales to cash buyers and limiting homeownership.

STUCK

Legal uncertainty, liability risk, unclear costs can lead municipalities to delay or avoid foreclosure, leaving properties in limbo.

The question is not whether former owners should be protected. They should. The question is whether Maine can protect those rights while creating a clear and workable tax foreclosure process that gets vacant properties moving again.

What Isn't Working?

The current process can keep properties stuck.

1. Longer post-foreclosure timelines can accelerate property deterioration

Maine's current post foreclosure sale requirements can extend the time vacant properties remain in municipal ownership before they can be returned to productive use. Longer holding periods can increase maintenance, demolition, legal, and administrative costs. In Maine, another season of vacancy can be especially consequential: unheated or unsecured buildings may face frozen pipes, water intrusion, and other winter related damage that can further reduce value and make reuse more difficult.

2. Municipal costs can become taxpayer costs

Municipalities may spend thousands of dollars maintaining, securing, managing, and disposing of properties they never intended to own. Municipalities also reported uncertainty about which expenses can be recovered through the current process. In some cases, those costs are not fully recovered through the eventual sale. One municipality reported spending approximately $30,000 to demolish a tax foreclosed property that ultimately sold for just $6,000, resulting in a municipal loss of approximately $24,000.

3. Unclear title limits buyers and financing

Title uncertainty can prevent title insurance and conventional mortgage financing, pushing tax foreclosure sales toward cash buyers. Cash sales do not resolve the underlying title risk, which can affect future financing and resale. The result is a smaller buyer pool and greater difficulty returning properties to productive use, creating an added risk of losing potentially viable homes from Maine's existing housing stock.

4. Uncertainty can lead municipalities to delay or avoid foreclosure

Municipal interviews found that some communities delay or avoid tax foreclosure because of legal uncertainty, liability risk, unclear recoverable costs, and uncertainty about how properties can be sold or otherwise disposed of. Municipalities reported questions about required sale methods, use of brokers or auctions, bidding requirements, and other disposition procedures. For already vacant or deteriorating properties, this uncertainty can leave properties in limbo longer and delay their return to productive use.

Why This Matters?

This isn't just a tax issue. It's a housing, municipal, and redevelopment issue.

Every property that remains vacant, continues to deteriorate, or is held back by title uncertainty represents a lost opportunity for a Maine community.

HOUSING

Clear, insurable title expands access to mortgage financing and investment, helping potentially viable homes return to Maine's housing supply and preserving existing housing stock.

NEIGHBORHOODS

Returning vacant and dangerous properties to responsible ownership can prevent further deterioration, help protect surrounding property values, and support neighborhood stability.

MUNICIPAL BUDGETS

Vacant properties can require ongoing municipal resources for maintenance, public safety, securing buildings, legal work, and demolition. A clearer, more efficient process can reduce costs to municipalities and taxpayers.

COMMUNITY DEVELOPMENT

A workable process can return tax foreclosed properties to the tax rolls or allow them to become housing, businesses, parks, trails, public facilities, or other productive community assets.

A BETTER OUTCOME

The least burdensome outcome for municipalities and property owners is resolving tax delinquency before foreclosure becomes necessary. Municipal interviews found that communities are working with property owners through payment plans and other arrangements to resolve tax debt and avoid foreclosure. When properties are already vacant or abandoned and foreclosure becomes necessary, communities need a clear, workable process that protects former owners' rights while moving properties toward responsible ownership, productive use, and a return to the tax rolls.

A new window for refinement. In June 2026, the U.S. Supreme Court's Pung v. Isabella County decision provided new guidance on how former owners' surplus value is determined. The Court held that after a fairly conducted tax sale, compensation is based on the actual sale price, not a hypothetical fair market value. Together, Tyler and Pung reinforce former owners' rights to surplus proceeds while giving states flexibility to design fair, workable tax foreclosure systems. Questions about what constitutes a fairly conducted sale may continue to evolve. Other states also continue to refine their post-Tyler tax foreclosure laws, reinforcing that this remains an evolving area of law and policy.

Four Opportunities for Legislative Reform

The goal: preserve constitutional protections while making the process workable for municipalities, buyers, lenders, and communities.

1. RESTORE CLEAR, MARKETABLE TITLE

Create a tax foreclosure process that results in clear, insurable, marketable title when all required legal steps and property owner protections have been satisfied. Clear title would expand the buyer pool, improve access to mortgage and rehabilitation financing, reduce risk for cash buyers, and make it easier to return properties to productive use.

WHY IT MATTERS: A sale alone does not solve the problem if title remains uninsurable. A reliable path to clear title is essential for financing, future resale, housing preservation, and successful redevelopment.

2. GIVE COMMUNITIES MORE FLEXIBILITY

Allow municipalities greater flexibility in how tax foreclosed properties are sold or returned to productive use, including options such as auctions, sealed bids, RFPs, negotiated sales, or other transparent methods. Clarify when municipalities may retain properties for legitimate municipal or community purposes.

WHY IT MATTERS: Different properties and communities require different approaches. Greater flexibility can help municipalities match the disposition method to the property, attract more potential buyers, reduce unnecessary delay, and return properties to productive use sooner while continuing to protect former owners' rights to surplus proceeds.

3. REDUCE TIME AND CLARIFY COSTS

Shorten unnecessary post foreclosure holding periods and clearly define reasonable, recoverable municipal expenses, including maintenance, demolition, environmental work, legal costs, staff time, property security, and other documented costs associated with vacant properties.

Vacant properties can also require ongoing municipal resources for police and fire response, securing and boarding buildings, maintenance, legal work, and demolition. In Maine, reducing delays can also lessen the risk that another winter of vacancy causes additional damage or loss of property value.

WHY IT MATTERS: Greater clarity around recoverable costs and a more efficient process can reduce legal and financial uncertainty, lessen the burden on municipal budgets and taxpayers, preserve property value, and return properties to productive use sooner.

4. CLARIFY EXISTING PRE-TYLER PROPERTIES

Clarify the legal status and available disposition options for properties municipalities acquired before Tyler and Maine's subsequent statutory changes, particularly where title or marketability issues remain.

RESEARCH NEEDED: Municipalities need certainty about which requirements apply to previously acquired properties and whether there is a lawful pathway to resolve lingering title issues and return those properties to productive use.

The Goal

PROTECT RIGHTS. PROTECT TAXPAYERS. CLEAR TITLE. GET PROPERTIES MOVING AGAIN.

An effective tax foreclosure process should protect property owners' rights, allow municipalities to recover unpaid taxes and reasonable costs, and return properties to the tax rolls and productive use. For vacant and abandoned properties, a clear and workable process can restore marketable title, expand housing and investment opportunities, reduce municipal and taxpayer costs, maintain surrounding property values and turn distressed properties into community assets.

What should happen next?

- **Prioritize clear, insurable, marketable title.**
  Identify statutory changes so a properly completed tax foreclosure process produces clear, marketable title after required property owner protections are satisfied.
- **Streamline post foreclosure disposition requirements.**
  Identify opportunities to reduce unnecessary holding periods for vacant properties while continuing to fully protect former owners' constitutional rights to surplus proceeds.
- **Give municipalities practical flexibility.**
  Clarify available sale and disposition methods, including brokers, auctions and other transparent approaches, as well as when municipalities may retain property for legitimate municipal or community purposes.
- **Clarify recoverable municipal costs.**
  Clearly define reasonable, documented expenses municipalities may recover and evaluate the broader fiscal impact of the current process on municipalities and taxpayers.
- **Resolve questions involving pre-Tyler properties.**
  Complete legal research on properties acquired before Tyler and Maine's current statutory framework, including available pathways for properties with lingering title or marketability issues.
- **Use Pung and current experience to inform the next phase.**
  Consult title insurers, mortgage lenders, municipalities and policy partners, and use the June 2026 Pung decision, experience from other states, and additional fiscal and housing analysis to inform potential refinements to Maine's framework.

Current context: Pung v. Isabella County was decided June 23, 2026. Other states continue to refine post-Tyler approaches; examples include New Jersey legislation introduced for the 2026 session and Oregon's post-Tyler statutory review process.

For the legal analysis, municipal interview findings, case law, and supporting detail, see the full Maine Redevelopment Tax Foreclosure White Paper by Yusuf Escobedo, Law Intern, University of Maine School of Law