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City Attorney Sues Repeat Offender Considered One of Columbus' Worst Code Violators

Corporation and its shell companies slammed for 'hypocritical' business model that is 'negligent, reckless and intentional' in exploiting government programs, perpetuating fraud and promoting blight

COLUMBUS, OH—Columbus City Attorney Zach Klein announced that the City of Columbus filed a complaint for preliminary and permanent injunctive relief against a corporation accused of using its subsidiaries to violate city and state law, repeatedly disregarding health, sanitation and safety codes, building codes, zoning codes, housing codes and nuisance abatement codes.

City Attorney Klein's office filed the lawsuit in the Franklin County Environmental Court against Nelnet Inc. and its putative shell companies, Municipal Tax Investment LLC and Municipal Tax Property LLC, all of which share the same dual addresses in Columbus and Lincoln, Nebraska. Also named in the lawsuit are two local agents, Matt Beckett and Brian Breeckner.

The city's complaint states that "[i]n the aftermath of the 2008 foreclosure crisis, Municipal Tax Investment LLC and Municipal Tax Property LLC were created solely to shield Nelnet Inc. from liability as it purchased dilapidated, high risk investment properties." The complaint focuses on eleven properties the defendants own, all of which have substantial code violations. The companies also owe more than \$50,000 in unpaid taxes.

Generally, the companies operated this way: first, the defendants would purchase a bundle of tax lien certificates, or unpaid property taxes, from Franklin County. Under Ohio law, the companies would then seek to recoup their costs by seeking the unpaid property taxes, plus additional fees and penalties, from the property owner. In some instances, when the unpaid debt could not be collected, a foreclosure action would be initiated and exercised against the property owner, which allowed the defendants to take title and become the owner. Once the companies became the owner, however, they neglected to take care of the properties and did not pay their own property taxes.

"This isn't a matter of a property owner getting in over his head or inadvertently misplacing some paperwork," said Columbus City Attorney Zach Klein. "This is an intentional scheme to profit on the properties where the companies could recoup the taxes and penalties in order to make money, but neglect and disregard the other properties in their portfolio because it didn't make any financial sense to take care of them. They chose the winners to make money to the detriment of the health and safety of Columbus' neighborhoods."

City Attorney Klein's court filing also highlights:

- Both Municipal Tax entities have been identified as “repeat offenders” by the city’s Pro-Active Code Enforcement (PACE) team since 2015, based on the volume and seriousness of code violations and their litany of tax delinquencies. City attorneys filed nuisance abatement lawsuits in 2015 and 2016 on close to a dozen of their properties. Several of the properties were sold during the pendency of the cases but at least four are still owned by Municipal Tax and remain in violation.
- The condition of two adjacent row houses owned by Municipal Tax at the 800 block of Atcheson Street on the city’s near east side is particularly egregious, as the “entire back wall...has collapsed and is wide open to the elements.”
- Municipal Tax’s local agents “regularly” ignore the city’s notices of violation but then “eagerly request assistance” from the city when they have difficulty closing on the sale of the properties that are out of compliance or have pending nuisance abatement lawsuits against them.
- Municipal Tax “habitually fails to appear” in court unless and until the court threatens an order of contempt and an issuance of daily fines. According to court documents, “the attorneys who appear on behalf of Municipal Tax often do so on a one-time basis and are unfamiliar with their client, their client’s properties, and have no authority to do anything to help move the case forward.”
- Municipal Tax acquires properties by purchasing tax liens and then filing foreclosure action against non-payers while failing to pay their own property taxes, owing \$52,526.14 in unpaid property taxes. They also owe Columbus an additional \$24,238.07 in abatement assessments and delinquent water and sewer payments.

“We are asking the court to recognize that these business practices create and perpetuate nuisances in Columbus neighborhoods, causing significant harm to the city,” said Assistant City Attorney Katarina Karac. “Their nuisance properties increase the city’s police, fire, health, emergency and abatement costs while at the same time depreciating property values of the surrounding area.”

Amongst the city’s requests for relief, City Attorney Klein is asking the court to issue orders prohibiting Municipal Tax from acquiring tax lien certificates and from purchasing any additional properties in Columbus until all of their current properties are brought into full compliance with city codes.

Copies of the city’s [complaint](#) and [motion for preliminary injunction](#) are available online.

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