CREATING REDEVELOPMENT OPPORTUNITIES *for* OUR COMMUNITIES

MONTGOMERY COUNTY LAND REUTILIZATION CORPORATION

2014 ANNUAL REPORT

CREATING REDEVELOPMENT OPPORTUNITIES *for* OUR COMMUNITIES

The Montgomery County Land Reutilization Corporation is helping local communities reclaim the safety, vitality and quality of life in their neighborhoods and business districts.

One MCLRC member jurisdiction offers a perfect example. An abandoned, foreclosed house in a quiet neighborhood had begun to attract undesirable activity. Soon nearby property owners began to notice water being stolen from their outside faucets, random items disappearing from their properties and a heightened sense of stress and suspicion.

Despite law enforcement's efforts to evict the squatters, officers were never able to find drugs or other evidence on the property. And the bank refused to sign a trespass order. As the months passed, neighbors continued to voice their concerns to public officials.

But when funds became available through the Land Bank, this property was one of the first to go through the acquisition and demolition process. The site is now an open green space used by the neighbors for recreational activities.

This is just one of many neighborhood stabilization success stories made possible through MCLRC, more commonly known as the Land Bank. From the time it became operational in 2011 to the end of 2014, the agency had facilitated the removal of 938 residential units and acquired 189 additional properties for demolition – all blighting influences in their communities.

Land Bank provides opportunities to reposition and redevelop distressed properties

The Land Bank's mission is to facilitate the transition of blighted, foreclosed and abandoned properties into viable, marketable properties by working collaboratively with public and private entities in a financially responsible, transparent manner with a long-term goal of returning these properties to the tax roll.

The organization has been led by the MCLRC Board of Directors, which includes, as chair, Montgomery County Treasurer Carolyn Rice, County Commissioners Judy Dodge and Debbie Lieberman, Dayton Mayor Nan Whaley, Washington Township Trustee Scott Paulson (replacing Trustee Dale Berry, as of March 18 2014), Realtor/Community Development Specialist Shelia Crane (replacing County Prosecutor Mat Heck Jr., as of March 18, 2014), and Market Metrics owner Doug Harnish.

In November 2013, the MCLRC Board hired its first – and only – staff member, executive director Michael Grauwelman, who leads and coordinates the agency's work within Montgomery County.

Teamwork has fueled the organization's accomplishments

Credit for the Land Bank's early achievements is shared among the many organizations involved in the foreclosure process and acquisition of state grants. The communities that participate in the Land Bank's programs have responded enthusiastically to opportunities to improve the quality of life for residents as they carry out the difficult work of neighborhood stabilization at the ground level.

Equally important is the teamwork that has developed among the Montgomery County offices

2014 - Land Bank Statistics at a Glance

- Moving Ohio Forward Program (MOF) award and local government match: **$ 7.49 M**
- MOF properties affected: **631**
- MOF cost per property demolition: **$ 11,870***
- Neighborhood Initiative Program (NIP) funds acquired: **$5.11 M**
- Number of Land Bank MOU communities: **16**
- Number of NIP target properties: 280
    - Transferred: **173**
    - Balance pending: **107**
- NIP property foreclosure acquisition timeframe: **6 months**

*Note cost per unit does not include administrative and acquisition expenses. The program allowed the demolition of multi-family units and is therefore not indicative of the cost to demolish a single-family home.

involved in the foreclosure process. When the Land Bank has initiated actions – sometimes as many as 15 foreclosures a week – those offices have addressed the challenge with a sense of purpose and urgency. This has resulted in a streamlined foreclosure process that has dramatically reduced the time from initiation to acquisition by up to 18 months, ensuring that targets could be met and grant funds awarded to the organization would be preserved.

Much work remains

Hit hard by the mortgage crisis, recession and unemployment, Montgomery County has more than 30,000 vacant housing units according to the 2010 US Census. Of these 16,500 were for rent or sale, and more than 12,000 were placed in the "other" classification. The number of vacant housing units increased by 6,800 units from the 2000 Census count of 5,300 units.

The vacancy is widespread, and there is a need to demolish many of these units. Their blight continues to mar the landscape, promote disinvestment by surrounding property owners, depress property values and threaten the community's well-being.

Within a culture of efficiency and creativity, MCLRC focused its efforts in 2014 on five priority areas:

- Securing funds and implementing grant programs
- Identifying and testing potential Land Bank programs
- Developing strategic programming
- Building collaborative relationships
- Developing an organizational foundation

This report describes MCLRC's accomplishments in each of these priority areas.

2014 Land Bank accomplishments

Priority: Securing funds and implementing grant programs

MCLRC was successful in competing for major Ohio grant programs targeting neighborhood stabilization through demolition of abandoned residential structures. The funds awarded have made it possible to remove hundreds of blighted units in Montgomery County, providing communities a chance to stabilize neighborhoods and property values.

Two grant programs were executed in 2014:

Moving Ohio Forward Program

A 2012 program of the Ohio Attorney General's Office, Moving Ohio Forward awarded $4.2 million to the Land Bank for 14 area communities to demolish blighted or abandoned residential structures considered eyesores or deterrents to neighborhood investment.

With the required matching funds from the communities, the program had generated $7.5 million in investment in the demolition of these blighting properties at the time of its conclusion on December 31, 2014. The participating communities – Dayton, Englewood, Harrison Township, Kettering, Miamisburg, New Lebanon, Riverside, Trotwood and West Carrollton – saw 1,143 (living and storage) units removed.

The state dollars were delivered to the jurisdictions by way of reimbursement, with funds passing through the Land Bank.

Neighborhood Initiative Program

The opportunity for the Land Bank to apply for the first round of funding from Ohio's Neighborhood Initiative Program came early in 2014, with a short, 30-day deadline. Administered by the Ohio Housing Finance Agency, NIP's strategy has been to reverse negative trends with strong positive action. The program has concentrated demolition efforts on "tipping point" neighborhoods, where the removal of blighted residential (one- to four-family) properties could forestall decline. Unlike the Moving Ohio Forward Program, NIP required the Land Bank to acquire properties prior to demolition.

The opportunity to apply for funding was presented to 14 Montgomery County jurisdictions. Four, including the cities of Dayton and Trotwood, along with Harrison and Jefferson townships, chose to participate. These jurisdictions were required to deliver, within a few short weeks, detailed "target area plans" for each neighborhood in which demolition was proposed.

MCLRC was awarded nearly $5.1 million in NIP funding, the second highest award among Ohio land banks representing areas of similar size.

Having met the NIP interim acquisition target of 20 properties within the first 30 days of program implementation, MCLRC was eligible to apply for the second round of funding in the summer. The city of Riverside was added to the group of participating communities, and an award of $54,900 was received for Round II. Although the amount of funds available and provided in Round II was small, the ability of the Land Bank to achieve this initial milestone was important in establishing credibility with the grant provider.

The program generated several positive outcomes:

- With significant support from the city of Dayton, a data/stress-based methodology for determining “tipping point” neighborhoods was developed, and a template for mapping and characterizing these areas to the granting agency was created. The approach was considered the grant standard.

- By the end of 2014, the Land Bank had acquired 173 properties, far more than the 101 required by NIP before March 2015 deadline. Of those, 27 were donated, and 146 came by way of the administrative foreclosure process. This process involves numerous county elected offices (treasurer, auditor, prosecutor, sheriff, clerk of courts, recorder), all coordinating in support of the effort.

- The participating communities and MCLRC worked together to develop Community Award Agreements, which articulate how the organizations work together and responsibilities for covering maintenance , financial and long-term ownership.

- MCLRC developed a structurally efficient virtual organization by leveraging existing agencies’ capabilities in the areas of operational (demolition, remediation, etc.) support, contracting, acquisition and back-office administration.

- MCLRC has created strategies for acquisition, demolition, re-greening, maintenance and disposition of acquired properties.

- Contractors in the areas of environmental survey, remediation and demolition were qualified to do work for the Land Bank. The possibility exists that a third round of NIP funding will become available should any of the existing awardees be unable to meet the program’s milestones, or should other program funds be redirected to NIP. Having significantly exceeded the program acquisition milestone of 100 units, MCLRC has positioned itself to benefit, should this occur.

Priority: Identifying and testing potential Land Bank programs

As a part of its organizational development and strategic planning efforts, the Land Bank responded to various community-based support requests by testing potential programs through pilot projects. These pilots provided an opportunity to better understand community needs, Land Bank legal authorities, local policies and foreclosure processes.

The pilot projects ranged from financing renovation improvements, acquiring properties, using foreclose and donation processes, "banking" properties for community development purposes, repositioning properties and obtaining improvement commitments from new owners.

The success of the pilots was based largely on repositioning properties financially (elimination of past real estate taxes and lien encumbrances) and providing them to conscientious owners. As a result of the pilots, many of the properties received new investment and have had a stabilizing effect on their neighborhoods.

As encouraging as these early outcomes have been, the organization recognizes that it must scale up its efforts substantially to address the scope of the vacant and abandoned structures in the community.

<u>MCLRC Grant Program</u>

An early initiative of the Land Bank, the MCLRC Grant Program was established to jump-start blight-removal activities in area communities prior to the availability of MOF funds in mid-2012. The funding criteria were flexible, although the projects had to align with MCLRC program policies and the goals, as articulated in the proposing community's strategic plan.

Five applications were approved before the program was suspended in January 2014 to preserve the resources required for the implementation of the Neighborhood Initiative Program. These projects included the following:

- The MCLRC Grant Program provided $125,000 to Harrison Township for the demolition of 13 apartment structures at the intersection of Riverside and Forest Park drives, each comprising from four to 12 units. Although far fewer units were demolished than originally had been planned, it

Forest Park Apartments, Harrison Township appears that community pressures may have led to an expedited transfer of ownership and $10 million reinvestment in the complex.

- In Dayton, MCLRC provided $100,000 to support the removal of two of three buildings targeted for demolition at the former United Theological Seminary. The city and Omega Baptist Church combined resources to match MCLRC's investment. The ultimate use of the 30-acre site will be a community center and potentially, other buildings converted for senior living.

Former United Theological Seminary, Dayton

- In Farmersville, the property at 52 North Elm St. contained an abandoned house and barn in a main commercial area, which officials believed posed a threat to public health. The village's plan was to demolish the structures to make way for a local business expansion, including the hiring of two additional employees. The Land Bank provided $25,000 to support the plan.

52 North Elm St., Farmersville

- In Harrison Township, a former bar in the highly visible location at 4256 Main St. was identified by township officials as a blighting neighborhood influence and safety hazard. The township received $11,600 in financial support from the Land Bank, and the structure was demolished.

- West Carrollton's Frasier Paper Plant – This formidable industrial complex has been targeted as a key property in the city's downtown redevelopment efforts. The Land Bank provided $160,000 in grant funds to help with the demolition of additional structures in support of this major revitalization effort.

Frasier Paper plant demolition, West Carrollton

Priority: Developing new strategic programming

During 2014, the MCLRC Board launched a strategic planning process to review its authorities and the area's needs with the objective of better identifying programs that could be launched in 2015. Among the parties involved in the process were several Montgomery County communities that had signed memoranda of understanding with the Land Bank and other organizations concerned with neighborhood stabilization. From these planning sessions, the organization identified four roles that it could effectively support, including these:

- Enabler of a regional professional network
- Developer of regional land reutilization programs
- Supporter (in development and implementation) of local plans and programs
- Provider of information and education on best practices

It became clear during the planning process that MCLRC needed to

- Utilize the full range of powers granted by state authorizing legislation
- Leverage and align Land Bank strategies with available public and private investment resources
- Invest resources strategically in community-based plans
- Seek local planning direction to guide its investments
- Generate revenues to increase its resource base
- Operate in all market segments
- Develop proactive strategies to address the mission

The primary authority that resides with the Land Bank is the ability to facilitate the removal of virtually all liens and tax liability. This authority is regulated by other organizations involved in the process and its own policies. When this authority is applied in a managed fashion, it provides communities a chance to recapture the value of properties that had at one time generated jobs and prosperity as well as investment opportunities for stakeholders.

In 2014, the Land Bank developed six new programs that fulfill the intent of the strategic planning process and align with communities' economic development and neighborhood stabilization goals. Most of these programs were piloted in 2014, preparing for full implementation in 2015. They include the following:

<u>Tax Foreclosure Sponsorship Program</u>

Similar to Dayton's Lot Links Program, this program allows qualified property owners and investors who want to acquire a qualified tax-delinquent residential (one to four-family) property to make application to the Land Bank to initiate tax foreclosure. The program's success is based on repositioning properties financially (eliminating past real estate taxes and lien encumbrances) and providing them to owners who have historically been conscientious. The program fee is dependent on the applicant and property, but varies between $2,000 and $4,000. Twenty-three such properties were transitioned in 2014, the majority being single-family residential.

The program launch date is set for April 2015.

Community Residential Rehab Loan

Through this program, the Land Bank provides loans to local communities to rehab residential properties. The acquisition and renovation costs may not exceed the home's market value, and the community must demonstrate its capability to manage the project. A flat, non-refundable fee is charged to cover legal, recording and processing costs.

In the pilot program, the city of West Carrollton acquired a single-family home through the tax-foreclosure process. The Land Bank provided a $50,000 loan to West Carrollton to hire a contractor to rehab the structure. It took 68 days for the contractor to complete the work, and a potential buyer had been identified by the end of 2014.

The estimated program launch date is July 2015.

Commercial Redevelopment Program

The Commercial Redevelopment Program calls on the Land Bank to sponsor a tax foreclosure on a blighted commercial (industrial, retail, office, warehouse, multi-family residential) property with rehabilitation potential and for which a viable investor has been identified. The investor and Land Bank enter into an agreement that articulates a set of business terms to be satisfied by the investor in order to receive the property.

The program is being piloted on environmentally contaminated industrial properties. The two industrial properties had removal actions completed on them by EPA, and were tax delinquent. Negotiations concerning the transaction are underway as the investors perform additional due diligence.

The estimated program launch date is November 2015.

Deed in Escrow Program

Also piloted in 2014 was Deed in Escrow, a program in which the Land Bank proactively acquires single-family residential properties and makes them available to an end user through a bidding process (that is planned to be Internet-based). The purchaser commits, under an agreement, to bring the property up to code and make other improvements required by the Land Bank before the title is transferred.

The program also allows the Land Bank to hold properties and make them available in targeted neighborhoods. In the future, it may be tailored to allow particular demographic groups such as veterans, disabled and low-income families specifically could benefit.

In a pilot of the program, a property on Otis Avenue in Harrison Township was originally scheduled for demolition through the Neighborhood Initiative Program. An investor who owns the next-door property became interested in renovating this property and agreed to make the needed improvements. The investor will enter into an agreement with the Land Bank and a closing will take place in escrow. Once the renovations are completed to the Land Bank's satisfaction, the title will be recorded.

Otis Avenue, Harrison Township

The program launch date is set for April 2015.

Land Banking Program

This fee-based program allows MOU communities to "bank" properties for strategic purposes that have been identified in a local redevelopment plan or effort. Under this program, the Land Bank can acquire, maintain, and disposition the property on behalf of the community or a community development corporation. It requires the Land Bank to arrive at an agreement with the client community that defines the Land Bank's role and maintenance level. These expenses are charged back to the community.

The Land Bank piloted this program in a project undertaken by County Corp to "bank" properties it had acquired in the Fort McKinley neighborhood of Harrison Township. The program benefits are in combining property acquisition, maintenance and disposition capability within one regional resource organization.

The proposed launch date November 2015.

Planning grants

The Land Bank will be offering four-to-one matching grants of up to $50,000, as well as technical support, to MOU communities to encourage them to invest in strategic planning that focuses on goals, objectives and neighborhood stabilization strategies. The Land Bank must approve the completion schedule and the scope of work. The program is not limited by community geography, scope, market, or scale.

Currently a pilot request is being developed. The estimated launch date July 2015.

Priority: Building collaborative relationships

The Land Bank enjoys a culture of collaboration that is supported by its board and executive director. The developing relationship extends to various public entities such as Montgomery County offices, participating communities and CDCs, state and federal agencies, and private institutions such as lenders, investors, real estate community, and other stakeholders. These cooperative relationships are critical to the pursuit of the Land Bank's mission, as they allow the agency to make decisions based on merit and strategic objectives. They also allow the Land Bank to operate at maximum efficiency and with a single sense of purpose.

In addition, Montgomery County Treasurer Carolyn Rice led the formation of the Montgomery County Vacant Property Solutions group (MVPS), consisting of the various entities involved with or affected by vacant and foreclosed properties. The group meets monthly, providing a forum for collaboration and ongoing discussion.

Priority: Developing the organizational structure

2014 was a year spent building the MCLRC's structure to ensure efficient operation, effective execution of policies and programs and the discovery of new opportunities to advance the organization's mission. The hiring of an executive director in November 2013 provided the resources necessary to achieve these objectives and set in place these administrative structures:

<u>Hosting agreements</u>

MCLRC is hosted with County Corp, which was deemed the most efficient approach to providing administrative support, recordkeeping and office space for Land Bank functions.

<u>Financial policies and procedures</u>

The Board adopted a set of policies and procedures governing the Land Bank's financial transactions, which are bound by legal requirements and usually complex. Published documents ensure consistency, transparency and adherence to best practices.

<u>Accounting and bidding procedures</u>

As a governmental unit, the Land Bank must adhere to state laws that dictate how contract awards are made and financial information is reported. With accounting and bidding procedures in place, the organization can better operate in an efficient, streamlined and predictable manner.

Legal team

MCLRC has a variety of legal needs in the areas of environmental, real estate and general business law. Sources for legal services in each of these areas have been vetted and contracted.

Property tracking system

A much-needed addition to the Land Bank's tool kit, the property tracking system is a database of all properties with which MCLRC is involved and their status. It provides efficient and immediate access to information critical to the Land Bank's work.

Into 2015

2014 was a year of action and accomplishment for the Land Bank. The hiring of an executive director was the catalyst for the development of a strategic plan and the development and testing of new programs based on community needs, opportunities and legal authorities.

At the same time, MCLRC became a more structured operation with policies, procedures and best practices for the sound management of a complex organization with many moving parts.

2015 will be eventful, with the full implementation of new, strategic programs that will advance MCLRC's mission of removing blight and recovering the value of properties lost to neglect.

It will be a year dedicated to creating new opportunities for Land Bank communities to redevelop distressed properties and for their citizens to enjoy the renewal of strong, vital neighborhoods and business districts.