



Lucas County Land Reutilization Corporation
Board of Directors Meeting
Friday, January 18, 2013 at 1:00 p.m.

1. Call to order by Board member Tina Skeldon Wozniak
2. Additions/Deletions to Agenda
3. Approval of the December 2012 Minutes
4. Action Items
 - a. Treasurer's Report
 - b. President's Report
 - i. Toledo Homes I & II
 - ii. Thriving Communities Institute Study Request
 - c. Executive Director's Report
 - i. Property Acquisition / Disposition Update
 - ii. Moving Ohio Forward Grant Project Update
 - iii. Update on Housing Fund/Land Bank Grant
 - iv. Community Update
5. New Business
 - i. Commercial Demolition Policy
 - ii. Document Retention Policy
6. Adjournment

Lucas County Land Reutilization Corporation
Budget vs. Actuals: FY 2012 Budget - FY12 P&L
 January - December 2012

	Total		
	Actual	Budget	% of Budget
Income			
Acquisition Reimbursement Income	7,276.92	2,000.00	363.85%
Annual Carry-Over	1,261,000.00	1,398,561.00	90.16%
Operating Income from Statutory DTAC	1,797,770.99	1,621,000.00	110.91%
Property Sales Income	367,177.62	167,177.62	183.59%
Total Income	\$ 3,433,225.53	\$ 3,221,561.00	106.57%
Expenses			
Acquisition Costs	5,309.60	2,000.00	265.48%
Advertising	6,290.78	1,500.00	419.39%
Bank Charges	472.76	1,000.00	47.28%
Conferences	1,335.00	2,000.00	66.75%
County Administrative Services	91,484.00	91,484.00	100.00%
Demolition Expense	521,402.26	1,875,000.00	27.81%
Employer Retirement Contribution Expense	4,207.48	4,207.48	100.00%
Environmental Services	409,311.00	100,000.00	409.31%
Field/Holding Costs	0.00	0.00	0.00%
Holding Costs	65,600.03	90,000.00	72.89%
Inspection	23,485.00	26,250.00	89.47%
Lawn Maintenance	35,069.74	65,000.00	53.95%
Property Improvements	30,247.00	20,000.00	151.24%
Utilities	3,098.47	20,000.00	15.49%
Total Field/Holding Costs	\$ 157,500.24	\$ 221,250.00	71.19%
Healthcare Expenses	30,205.76	40,000.00	75.51%
Information Technology	34,930.57	60,000.00	58.22%
Insurance	8,511.00	10,000.00	85.11%
Office Expenses	34,960.76	40,000.00	87.40%
Payroll Expenses	609.32	1,000.00	60.93%
Taxes	21,793.60	25,000.00	87.17%
Wages	216,821.39	215,000.00	100.85%

Lucas County Land Reutilization Corporation
Budget vs. Actuals: FY 2012 Budget - FY12 P&L
 January - December 2012

	Total			
	Actual	Budget	over Budget	% of Budget
Total Payroll Expenses	\$ 239,224.31	\$ 241,000.00	\$ 1,775.69	99.26%
Professional & Testing Fees	20,407.33	20,000.00	407.33	102.04%
Project Reinvestment Fund	18,170.00	150,000.00	-131,830.00	12.11%
Rehab Match Program	23,000.00	100,000.00	-77,000.00	23.00%
Rent or Lease	1,500.00	6,200.00	-4,700.00	24.19%
Repair & Maintenance	389.91		389.91	
Taxes & Licenses	4,821.41		4,821.41	
Title Work Fees	1,421.12	2,000.00	-578.88	71.06%
Travel & Mileage	3,123.38	500.00	2,623.38	624.68%
Total Expenses	\$ 1,617,978.67	\$ 2,963,934.00	-\$ 1,345,955.33	54.59%
Net Operating Income	\$ 1,815,246.86	\$ 257,627.00	\$ 1,557,619.86	704.60%
Other Income				
Investment Income	2,665.41	1,000.00	1,665.41	266.54%
Miscellaneous Income	0.00	0.00	0.00	
Reimbursed Expenses	4,102.66	100.00	4,002.66	4102.66%
Total Other Income	\$ 6,768.07	\$ 1,100.00	\$ 5,668.07	615.28%
Other Expenses				
Miscellaneous Expenses	762.00	2,000.00	-1,238.00	38.10%
Penalties & Settlements	5.19	0.00	5.19	
Reconciliation Discrepancies	0.00		0.00	
Total Other Expenses	\$ 767.19	\$ 2,000.00	-\$ 1,232.81	38.36%
Net Other Income	\$ 6,000.88	\$ 900.00	\$ 6,900.88	-666.76%
Net Income	\$ 1,821,247.74	\$ 256,727.00	\$ 1,564,520.74	709.41%

Lucas County Land Reutilization Corporation
 Budget vs. Actuals: 2013 Budget - FY13 P&L

	<u>Budget</u>
Income	
Acquisition Reimbursement Income	2,000.00
Annual Carry-Over	245,327.00
Operating Income from Statutory DTAC	1,621,000.00
Property Sales Income	350,000.00
Wage Reimbursement Income	32,450.00
Total Income	<u>\$ 2,250,777.00</u>
Expenses	
Acquisition Costs	2,000.00
Advertising	1,500.00
Bank Charges	1,000.00
Conferences	2,000.00
County Administrative Services	70,939.00
Demolition Expense	870,000.00
Employer Retirement Contribution Expense	13,000.00
Environmental Services	100,000.00
Field/Holding Costs	0.00
Holding Costs	90,000.00
Inspection	26,250.00
Lawn Maintenance	65,000.00
Property Improvements	20,000.00
Utilities	20,000.00
Total Field/Holding Costs	<u>\$ 221,250.00</u>
Healthcare Expenses	50,000.00
Information Technology	25,000.00
Insurance	12,000.00
Office Expenses	4,000.00
Payroll Expenses	1,200.00
Taxes	24,000.00
Wages	288,000.00
Total Payroll Expenses	<u>\$ 311,200.00</u>
Professional & Testing Fees	20,000.00
Project Reinvestment Fund	150,000.00
Rehab Match Program	100,000.00
Rent or Lease	17,600.00
Title Work Fees	2,000.00
Travel & Mileage	3,000.00
Total Expenses	<u>\$ 1,976,489.00</u>
Net Operating Income	<u>\$ 274,288.00</u>
Other Income	
Investment Income	2,500.00
Miscellaneous Income	0.00
Reimbursed Expenses	0.00
Total Other Income	<u>\$ 2,500.00</u>
Other Expenses	
Miscellaneous Expenses	2,000.00
Penalties & Settlements	0.00
Total Other Expenses	<u>\$ 2,000.00</u>
Net Other Income	<u>\$ 500.00</u>
Net Income	<u>\$ 274,788.00</u>

Project Title: The Case for Demolition: Less About Destruction, More About Growth

Research Project Description

Vacancy's Effect on the Local and National Economy

There is considerable research showing home values depreciate in relation to their proximity to a vacant structure. This is called a "disamenity" effect, much like housing values appreciate in relation to how close it is to a given amenity so too can houses depreciate depending on the proximity to a perceived negative.

Demolition as an Intervention for Economic Growth

Demolition, or strategic demolition of residential problem properties, is the removal of a disamenity, with the rationale being that the removal of blight will neutralize disamenity effects on nearby home values. Demolition also reduces the glut of houses on the market, thus inhibiting the over-supply and negative demand effect. Yet while demolition as a stabilization method is not new, examining the effects of demolition on the real estate market is largely absent in urban policy literature.

One study that did examine the issue focused on Genesee County in Michigan, the home of Flint. In it, Griswold and Norris (2007) examine the Genesee County Land Bank's residential demolition program that focused on tax-foreclosed and blighted structures. Particularly, the researchers asked whether the benefits of publicly-funded demolition exceeded the costs. The answer, in a word: yes.

The researchers found that the land bank spent roughly \$3.5 million on strategic demolition of abandoned residential structures between 2002 and 2005. Ultimately, not only was the vacant structure removed, but so was the devaluating disamenity effect, with the researchers calculating value retention at \$112 million for all homes in proximity to the abatement of residential abandonment. Thus, return on the \$3.5 million investment proved to be a net benefit in excess of \$109 million.

Research Design

The study will focus on two research questions:

1. What is the economic impact of public investments in strategically demolishing "residential problem properties" in Cuyahoga County, Ohio; and
2. Do demolition programs focused on "residential problem properties" impact the mortgage foreclosure rate in the surrounding neighborhood environment?

The first testable research hypothesis, *Question 1*, is that an additional vacant lot or abandoned structure within a given distance from properties that sell has a significant impact on the values of those properties, all else equal. The null hypothesis is that no relationship exists between problem properties and the value of residential houses that sell in close proximity to them. Results from econometric tests of these hypotheses will provide useful information about how abandoned structures and vacant lots affect a city financially, and therefore allow measurement of the economic performance and impact of urban residential demolition practices.

The second testable hypothesis, *Question 2*, is that the demolition of “residential problem properties” has a significant impact on the localized foreclosure rates of performing mortgages. The null hypothesis is that no significant relationship exists between the demolition of residential problem properties and impacts on neighborhood foreclosure rates. Results from econometric tests of this hypothesis will provide insight and empirical evidence into the causal relationship between demolition investments and fluctuations in residential foreclosure rates. This information will be useful in efforts to strategically target public dollars to hedge real estate losses related to the national mortgage foreclosure crisis.

Methodology

Hedonic Model (Question 1)

Based on the hedonic theory, the locus of supply and demand is a price made up of the attributes of a good. Therefore, the dependent variable in a hedonic model must be the price of a good sold in perfect competition. In terms of residential housing, the dependent variable is sales price in an “arms length” sale. Independent variables fall into two main categories: 1) the physical attributes of the residential property purchased, and, 2) neighborhood and location oriented variables that explain the environment surrounding the residential property that was purchased.

Therefore, data needs are as follows:

- a. *Dependent Variable*
 - i. We need all good arms length residential property sales data as far back as possible that is consistent with all physical and environmental independent variable limitations.
- b. *Independent Variables*
 - i. Physical attributes of all residential properties sold at arms length.
 - ii. Neighborhood and locational environmental attributes associated with each arms length sale.
- c. *Running Counterfactual to Estimate Value of Demolition to Cuyahoga/Cleveland:*
 - i. All of the independent variables from the hedonic model that are associated with every residential structure within 500, 1,000 and 1,500 feet of the demo site
 - ii. Use coefficients from final Hedonic Model to estimate respective value of each demolition in terms of impacts on nearby housing values

Mortgage Foreclosure Model (Question 2)

A clear understanding of the conceptual framework of the Mortgage Foreclosure Model (MFM) is critical to gain insight into the nature of the data gathering and processing needs to build the final matrix to run the independent MFMs. Generally speaking, the goal of the MFM is to provide empirical evidence that isolates the relationship between localized demolition activity and localized fluctuations in the mortgage foreclosure rate. The MFM is a time-series approach, initially taking the GIS location (Parcel ID #) of a known demolition and measuring

the mortgage foreclosure rate surrounding the demo site during that time period at a given distance. This localized mortgage foreclosure rate surrounding a demolition is the dependent variable during time period zero and is to be explained by several corresponding explanatory variables relevant to time period zero.

Generally speaking, the localized residential environment both before and after the physical demolition is of interest because it offers fluctuations in the mortgage foreclosure rate to occur. Therefore, the localized mortgage foreclosure rate that surrounds the demo site will be measured both before and after the demolition in several time periods. These different dependent variable measurements will call for consistent updates in all corresponding explanatory variables. This also means the MFMs must be truncated on either end of the time spectrum for each demolition, therefore meaning the availability of quality historic demo and mortgage foreclosure data will define the extent of the model.

The explanatory variables are designed to explain fluctuations in a localized mortgage foreclosure rate. Several macro-level variables will be identified such as GDP, unemployment, national foreclosure rate, while others such as crime and market saturation will be measured in a more localized fashion, offering further insight into the determinants of fluctuations in localized mortgage foreclosure rates. Several variables of interest will be spatially measured similarly as in the Hedonic Model – i.e. demolition density variables surrounding the localized mortgage foreclosure rate.

a. Dependent Variable data processing needs:

- i. Geographic identifier for every demolition and mortgage foreclosure on record as far back in time and as close to the present as possible.
- ii. GIS estimates of the foreclosure rate surrounding each demo site both before and after the physical demolition at several chosen distance and time increments.

b. Independent Variable Processing for MFMs:

- i. Perform literature review to identify what the mortgage foreclosure literature identifies as critical macro-level inputs to a complete understanding of fluctuations in the mortgage foreclosure rate.
- ii. The variables of interest will be the density of demolitions and other localized environmental variables that surround a demo site.

Anticipated Research Outcomes

The objective research process will attempt to give a discrete value to demolition's effect on (1) neighboring property values, and (2) the likelihood of preventing future foreclosures. Specifically the research will provide empirical insight into the relationship between demolition and changes in mortgage foreclosure rates and home equity. If empirical evidence strongly points to demolition as an effective abatement strategy for increased home equity and decreased mortgage foreclosure rates, the implications for federal funding of strategic demolition programs are very important.

Policy Need

The foreclosure crisis left behind vacant and abandoned properties in cities throughout the country. In Ohio alone an estimated 100,000 neglected and abandoned houses must be razed. Demolition funding at both the Federal and State level is critical to remove the blight in our cities.

Our current focus is to educate U.S. Department of the Treasury officials dealing with housing issues in their areas of responsibility including Under Secretary Donet Graves; Michael Stegman, Counselor to the Housing Secretary for Housing Finance; and David Dworkin, Housing Policy Advisor. We will also focus our educational efforts on officials at the U.S. Department of Housing and Urban Development, Congressional staff and State officials.

We hope to utilize this research to inform programs such as the Hardest Hit Fund, currently restricted to programs assisting unemployed homeowners remain in their homes and to those who owe more than their homes are worth, and the Trouble Asset Relief Fund (TARP) which currently focuses on the purchase of troubled assets from financial institutions impacted by the housing crisis of 2008, about the correlation of demolition and mortgage foreclosures.

When completed, this study will be presented to the U. S. Treasury Department. Discussions have already taken place with the U. S. Treasury Department about making TARP funds available throughout the United States for demolition. In addition, we seek to make a portion of the allocations to the eighteen states qualifying for Hardest Hit Funds, which must be utilized by 2017, available for demolition.



Lucas County Land Bank - Project Report
2013 Stats - As of 1/17/13

Projects		% of Total Parcels
Pre-Acquisition Parcels	339	39.8%
Currently Owned Parcels	163	19.2%
Sold Parcels with a Rehab Reverter	51	6.0%
Sold Parcels with no Rehab Reverter	298	35.0%
Total Active Parcels	851	71.0%
Unable to Assist Parcels	347	29.0%
Total Parcels Considered - 2013	1198	

Type of Parcels - To Date		% of Total Parcels
Total Parcels	851	
Single Family Residential (1FAM)	245	28.8%
Multi-Family Residential (MFAM)	23	2.7%
Vacant Lot (VACLOT)	523	61.5%
Industrial (INDST)	1	0.4%
Commercial or Industrial (COMM)	59	6.9%

Disposition Status		% of Ready to be Sold
Aquired Property Ready to Be Sold	119	
<i>Lots with an End User</i>	77	64.7%
<i>Structures with an End User</i>	8	6.7%
<i>No End User</i>	34	28.6%
Property Needs Further Inspection	23	2.7%
Property Is Scheduled for Demolition	149	
<i>Future Lots with End User</i>	141	94.6%
<i>Future Lots with No End User</i>	8	5.4%
Property Is Being Held in "Land Bank"	1	0.1%
An End-User Has Been Identified	759	89%



Lucas County Land Bank - AG Grant Update
2012 Final Stats

Goal - Dec 2013		900
Zone	Completed	% of Goal
A	80	
B	88	
C	31	
D	5	
E	9	
F	34	
Other	10	
Total	257	29%



Wade Kapszukiewicz, Chair

Land Bank Board of Directors 2013 Meeting Schedule

All meetings will be held on the third Friday of the month at 1:00 p.m. at the EMS Training Center, 2127 Jefferson, Toledo, OH 43604, unless otherwise indicated with proper notice.

January 18, 2013

February 15, 2013

March 15, 2013*

April 19, 2013

May 17, 2013

June 21, 2013

July 19, 2013

August 16, 2013

September 20, 2013

October 18, 2013

December 6, 2013**

*Denotes Annual Meeting of the Board, unless otherwise changed

**Denoted change date for combined November / December meeting