

The background features a repeating pattern of light green circles on a darker green field. A large, semi-transparent globe is centered in the upper half of the image, showing a grid of latitude and longitude lines. The globe is slightly tilted and has a soft glow.

CREATING A COUNTY LAND REUTILIZATION CORPORATION (LRC)

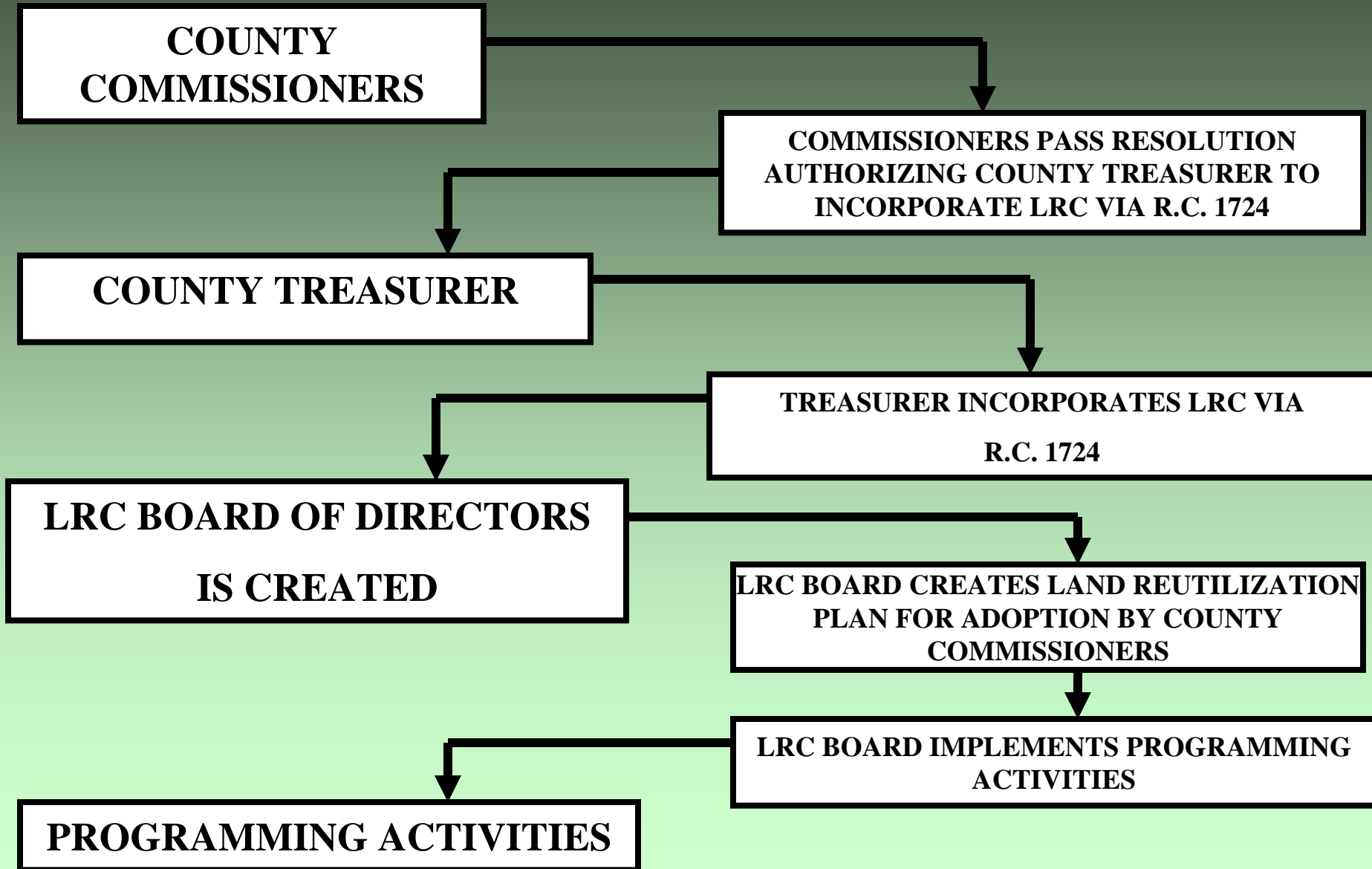
*Submitted by:
James Rokakis
Cuyahoga County Treasurer*

County Land Reutilization Corporations

Overview

Gus Frangos, Esq.

PROPOSED STRUCTURE



LEGAL NATURE OF A LAND REUTILIZATION CORPORATION

- Community Improvement Corporation (CIC) organized under ORC §1724 ("county land reutilization corporation")
- Attorney General must approve Articles of Incorporation
- County Treasurer statutorily empowered to act as incorporator
- Board of Directors consists of the County Treasurer & at least two of the County Commissioners

LEGAL NATURE OF A LAND REUTILIZATION CORPORATION

(CONT'D)

- LRCs promote land reutilization & reclamation, housing & economic development as distinguished from CICs organized solely for promoting industry, commerce, distribution & research ("economic development corporation").
- Will act like a conventional non-profit business corporation as opposed to a government institution
- Will possess additional R.C. 1724 powers & powers under other statutes consistent with its purposes (e.g. take an assignment of a mortgage from the lender; purchase tax certificates under ORC §5721.30)

ADDITIONAL INTAKE CAPABILITIES

BANK REO's

DEED IN LIEU

HUD

GSE's

TAX FORECLOSED

PROPERTY TRIAGE

RESPONSIBLE
FOR MOTHBALL
REHABILITATION

RESALE TO
RESPONSIBLE
QUALIFIED
BUYER/REHABBER

PROGRAMS:

- SIDE YARD
- INFILL HOUSING
- GREEN SPACE
- URBAN GARDENS

HOLD FOR
STRATEGIC
ASSEMBLY &
ECONOMIC
DEVELOPMENT

DEMOLISH

EXISTING TAX FORECLOSURE PROCESS

***NON-PAYMENT
OF TAXES***

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graph TD; A[NON-PAYMENT OF TAXES] --> B[JUDICIAL FORECLOSURE (OPTION 1)]; A --> C[HB 294 FORECLOSURE (OPTION 2)]; A --> D[TAX LIEN CERTIFICATE SALE (OPTION 3)];
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***JUDICIAL
FORECLOSURE***

(OPTION 1)

***HB 294
FORECLOSURE***

(OPTION 2)

***TAX LIEN
CERTIFICATE
SALE***

(OPTION 3)

FORECLOSURE AND PROPERTY DISPOSITION: CURRENT STATE ASSESSMENT

DEFICIENCIES & COSTS

DEFICIENCY #1

- NO STRATEGIC REPOSITORY FOR BANK REO, HUD, FNMA, FHLMC OR OSE PROPERTIES

COSTS

- DISPOSITION OPTIONS ARE CONSTRAINED
- ENCOURAGES ITERATIVE CYCLES OF SPECULATION
- EQUITY IS DEPLETED
- INABILITY TO RELOCATE WILLING OWNERS

DEFICIENCY #2

- NO SYSTEMWIDE PROTOCOLS

COSTS

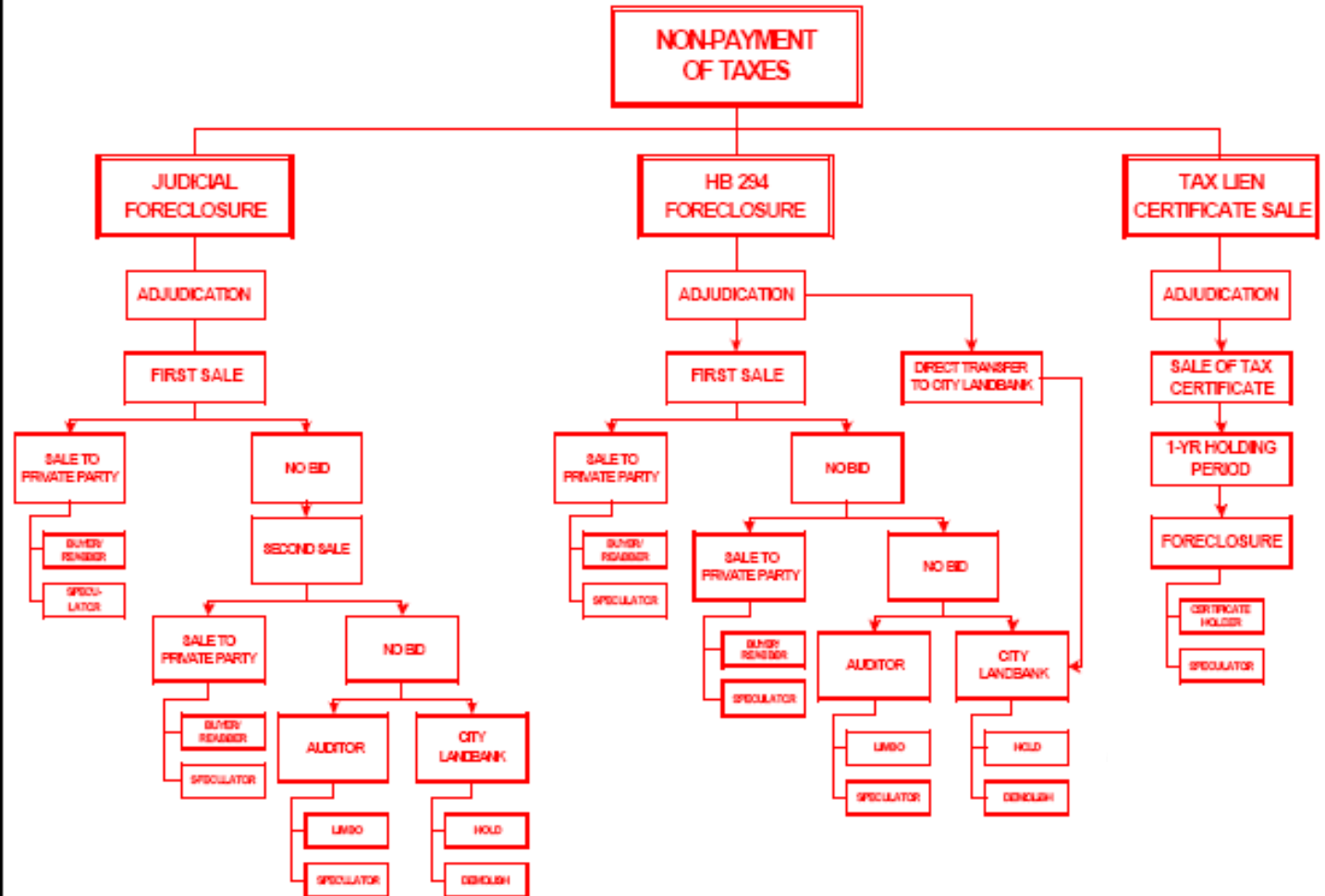
- LACKS ENTREPRENEURIAL CAPABILITY
- UNABLE TO LEVERAGE EXISTING EQUITY
- NO CAPITALIZATION MECHANISM
- CUMBERSOME BIDDING/RFP RULES
- NO EXIT STRATEGY

DEFICIENCY #3

- TAX DISTRIBUTION DELAYS

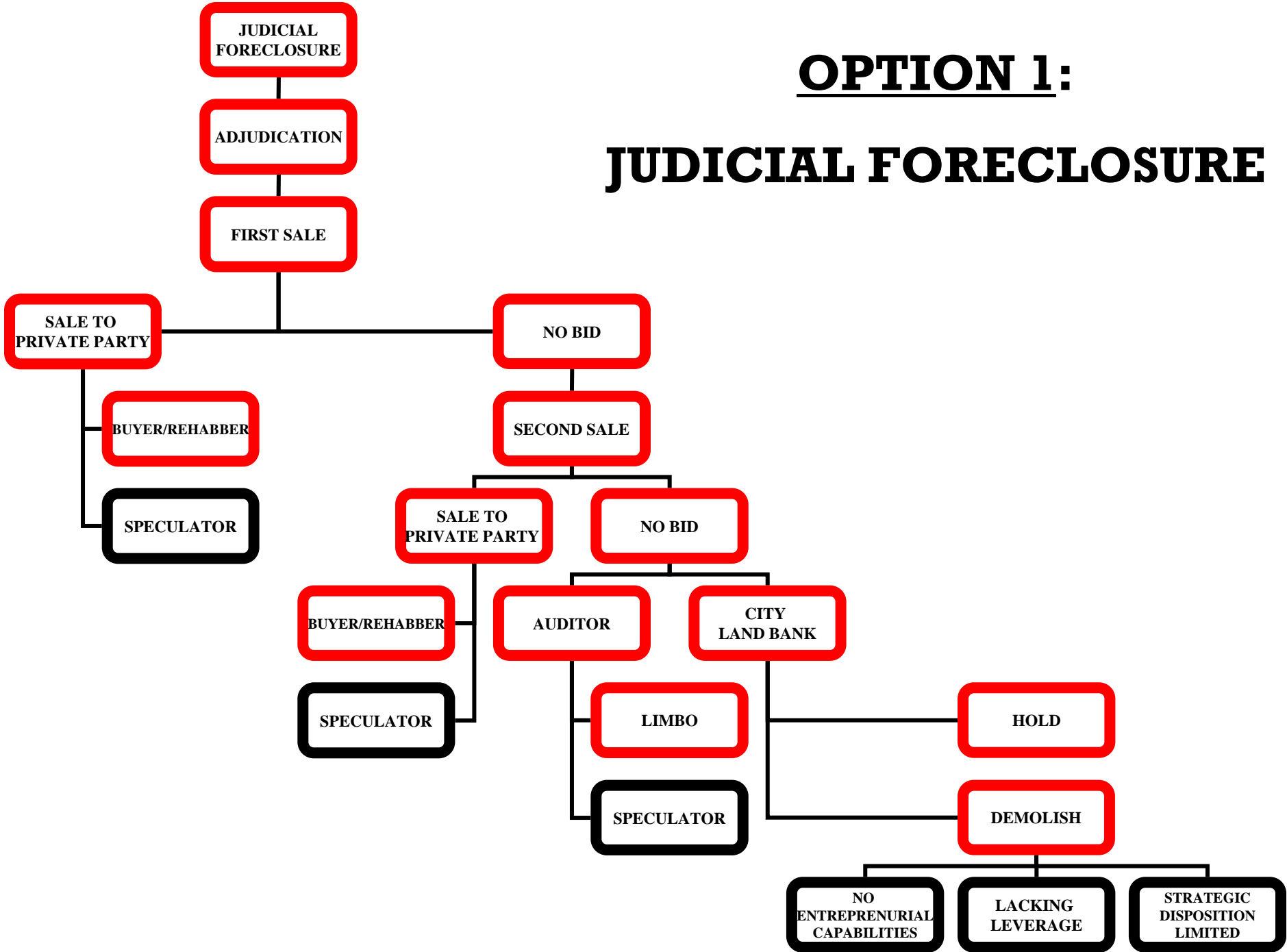
COSTS

- TAX DISTRICTS LOSE USE OF MONEY
- DISTRIBUTION DELAYED UP TO 9 MONTHS AFTER CLOSE OF TAX COLLECTION
- TAX DISTRICT PLANNING CONSTRAINED DUE TO UNCERTAINTY OF COLLECTION AND DISTRIBUTION



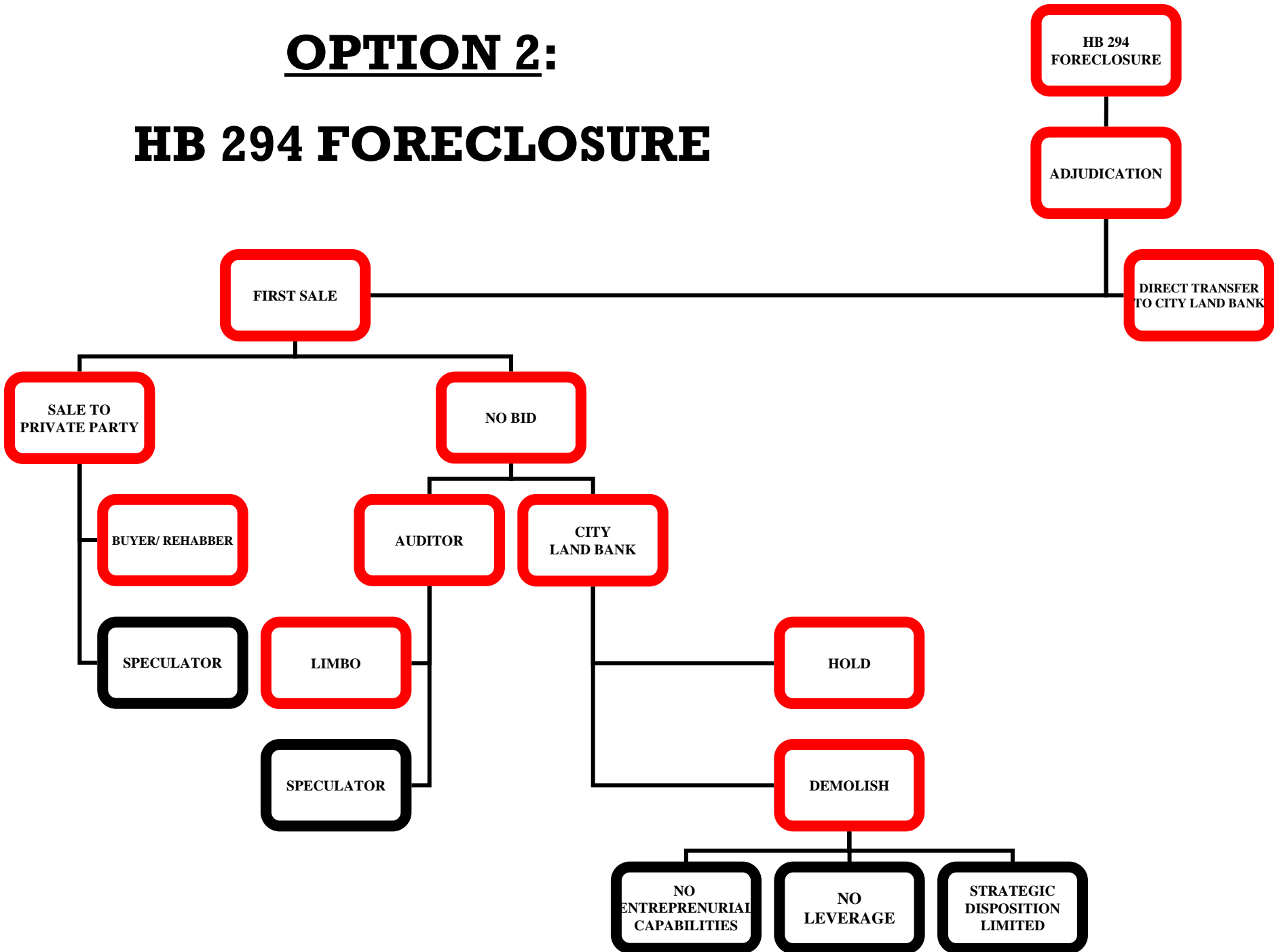
OPTION 1:

JUDICIAL FORECLOSURE



OPTION 2:

HB 294 FORECLOSURE



OPTION 3:
**TAX LIEN
CERTIFICATE
SALE**

**TAX LIEN CERTIFICATE SALE:
SINGLE/MULTIPLE TAX CERTIFICATE**

**1 YEAR NO TALK PERIOD:
RESULTS IN PROPERTY STAGNATION**

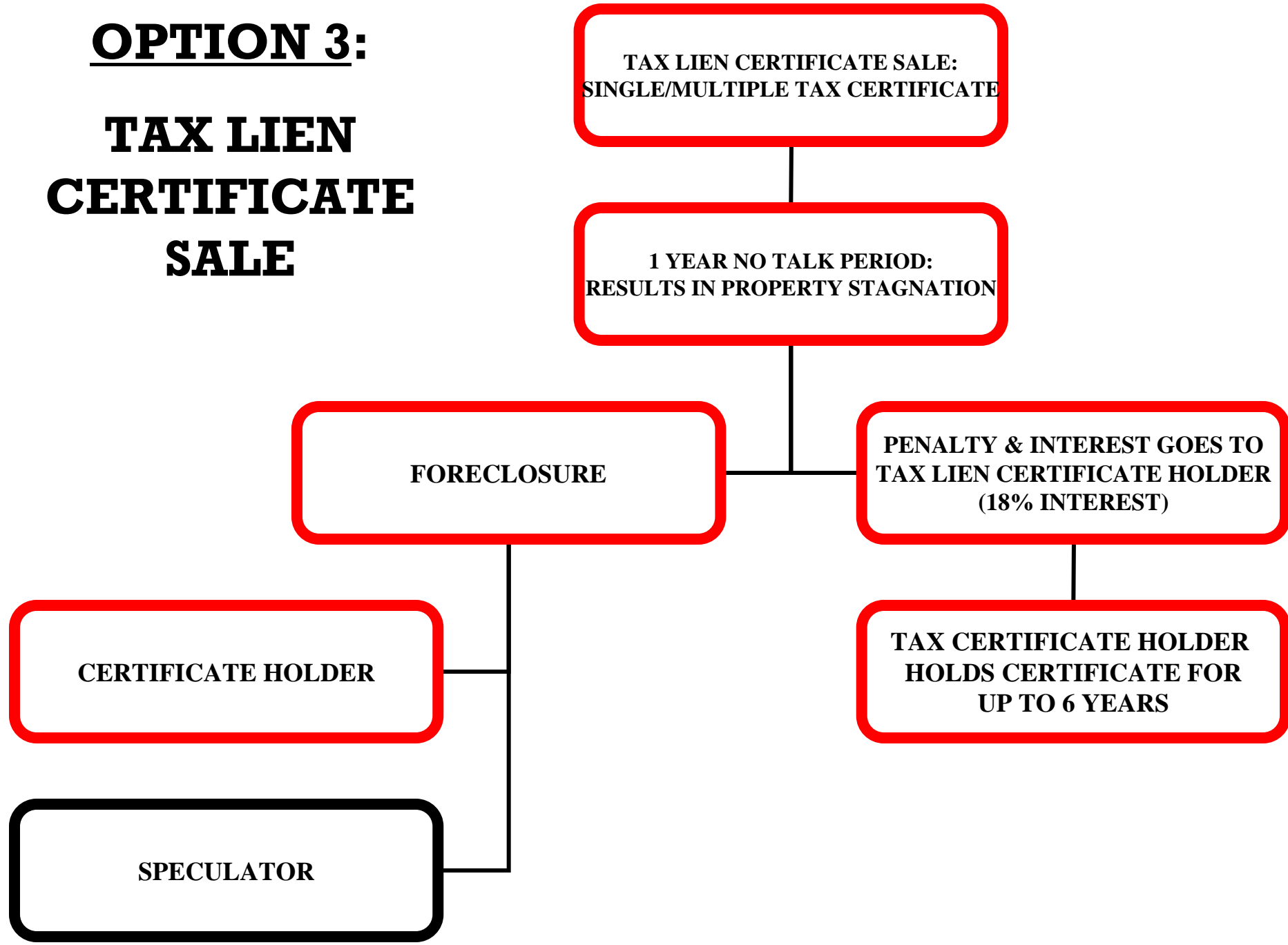
FORECLOSURE

**PENALTY & INTEREST GOES TO
TAX LIEN CERTIFICATE HOLDER
(18% INTEREST)**

CERTIFICATE HOLDER

**TAX CERTIFICATE HOLDER
HOLDS CERTIFICATE FOR
UP TO 6 YEARS**

SPECULATOR



DEFICIENCIES & COSTS

■ **DEFICIENCY #1:**

- **No strategic repository for Bank REO, HUD, FNMA, FHLMC, or GSE properties**

■ **COSTS:**

- **Intake & disposition options are constrained**
- **Encourages repeat cycles of speculation**
- **Depleted equity**
- **Inability to relocate willing owners**

DEFICIENCIES & COSTS

■ DEFICIENCY #2:

- No system-wide protocols with cities and REO's/GSE's
- No ability to transact with REO's/GSE's
- No opportunity for joint city code enforcement & nuisance abatement agreements

■ COSTS:

- Lacks entrepreneurial capability
- Unable to leverage existing equity
- No capitalization mechanism
- Cumbersome bidding/RFP rules
- No exit strategy

DEFICIENCIES & COSTS

■ DEFICIENCY #3:

- Progressive depletion of the tax base

■ COSTS:

- Tax districts gradually lose money
- Distribution delayed up to 9 months after close of tax collection
- Tax district planning constrained due to uncertainty of collection & distribution

FORECLOSURE AND PROPERTY DISPOSITION: PROPOSED REFORM

FEATURES & BENEFITS

FEATURE #1

- CREATES A STRATEGIC REPOSITORY

BENEFITS

- CYCLE OF SPECULATION TERMINATED AFTER REDEMPTION PERIOD EXPIRES
- EQUITY IS PRESERVED FOR REVITALIZATION
- STRATEGIC DISPOSITION ENHANCED
- CAN RELOCATE EXISTING OWNERS

FEATURE #2

- IMPLEMENTS SYSTEMWIDE PROTOCOLS

BENEFITS

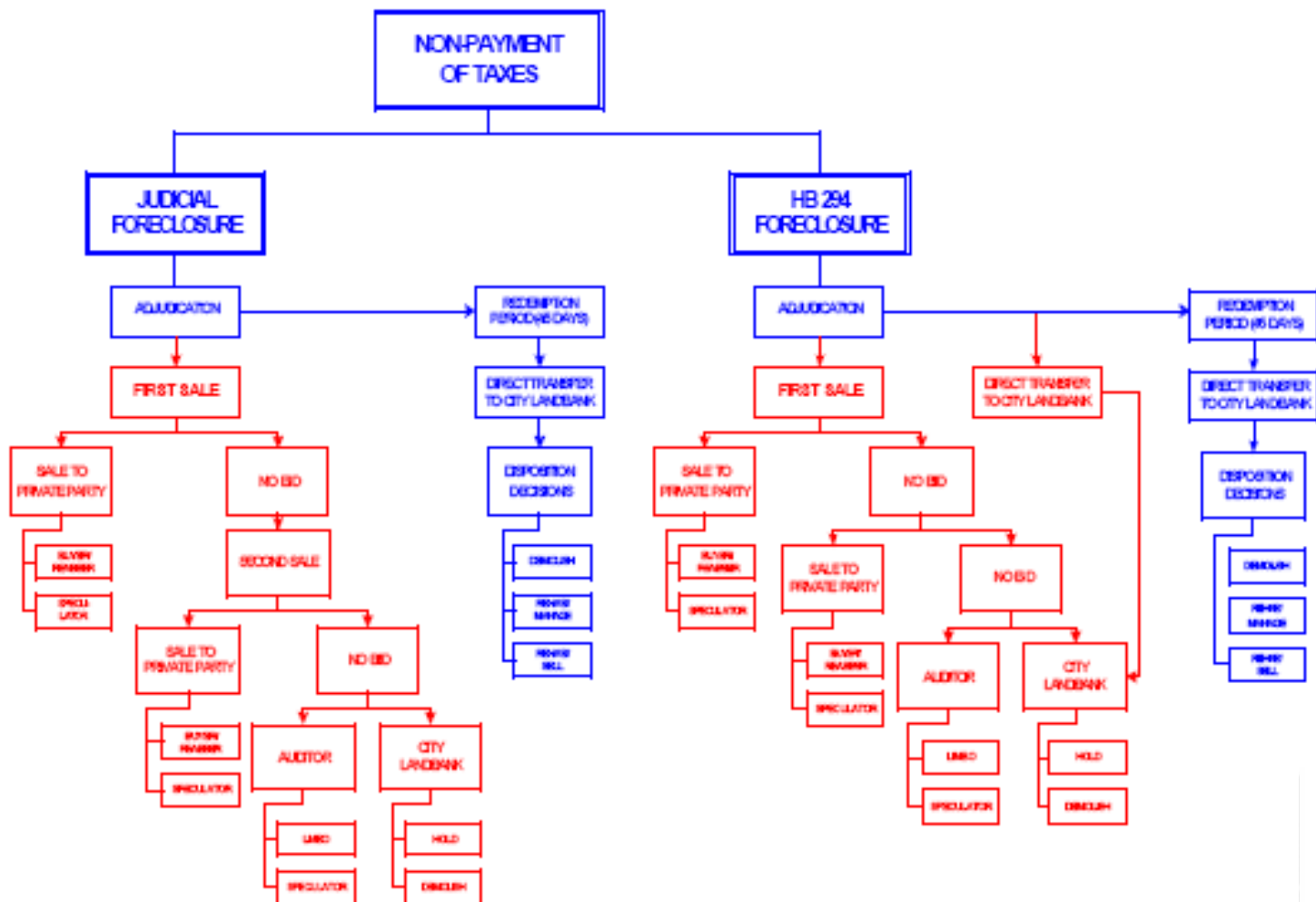
- BUYERS & REHABBERS ARE VETTED
- EXISTING EQUITY CAN BE LEVERAGED
- ENTREPRENEURIAL CAPABILITY CREATED
- NO CAPITALIZATION MECHANISM
- CONSISTENT BIDDING/RFP RULES

FEATURE #3

- IMMEDIATE TAX DISTRIBUTION

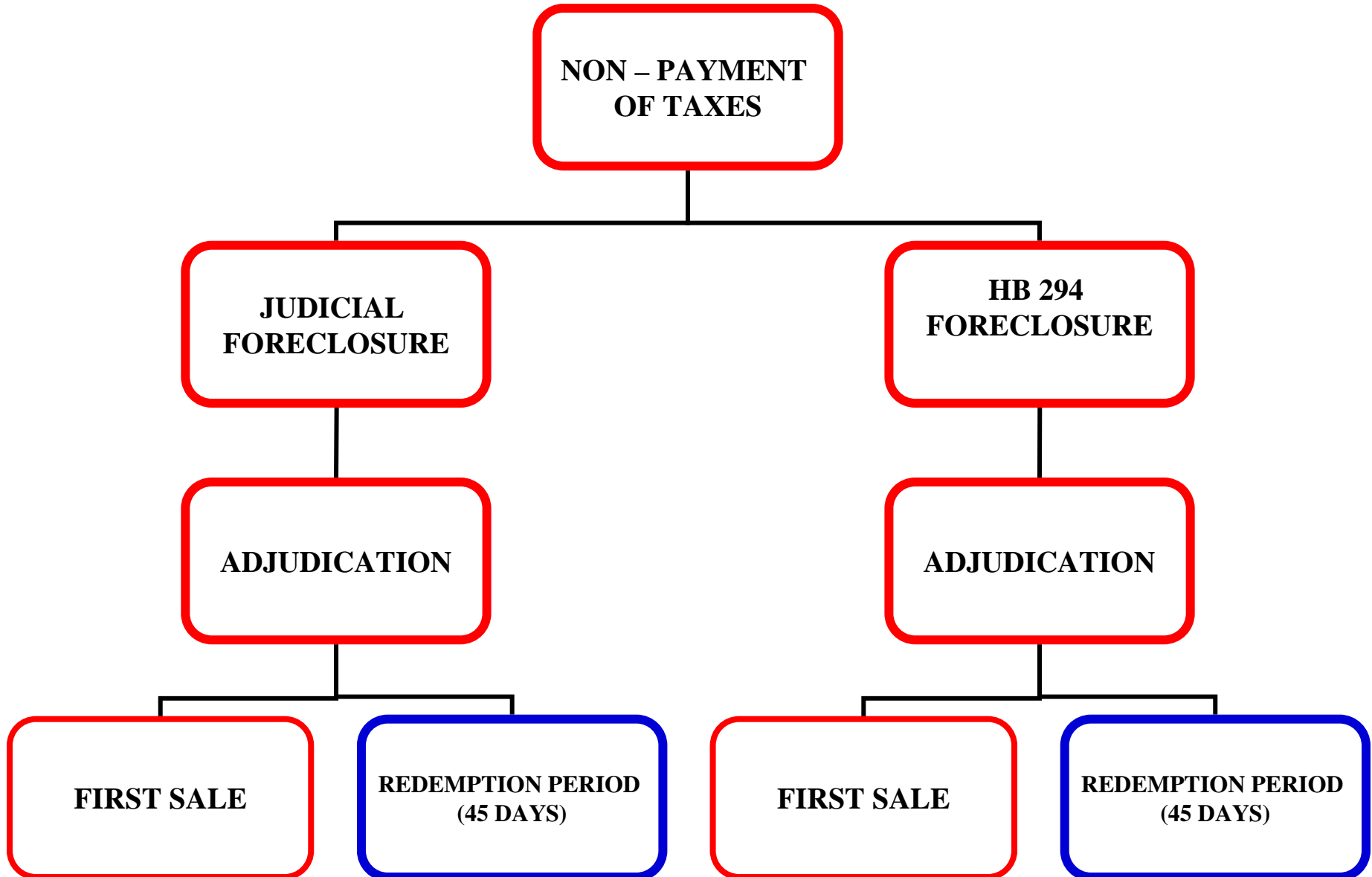
BENEFITS

- TAX DISTRICTS GAIN IMMEDIATE USE OF MONEY
- TAX DISTRICT PLANNING ENHANCED DUE TO CERTAINTY OF DISTRIBUTION



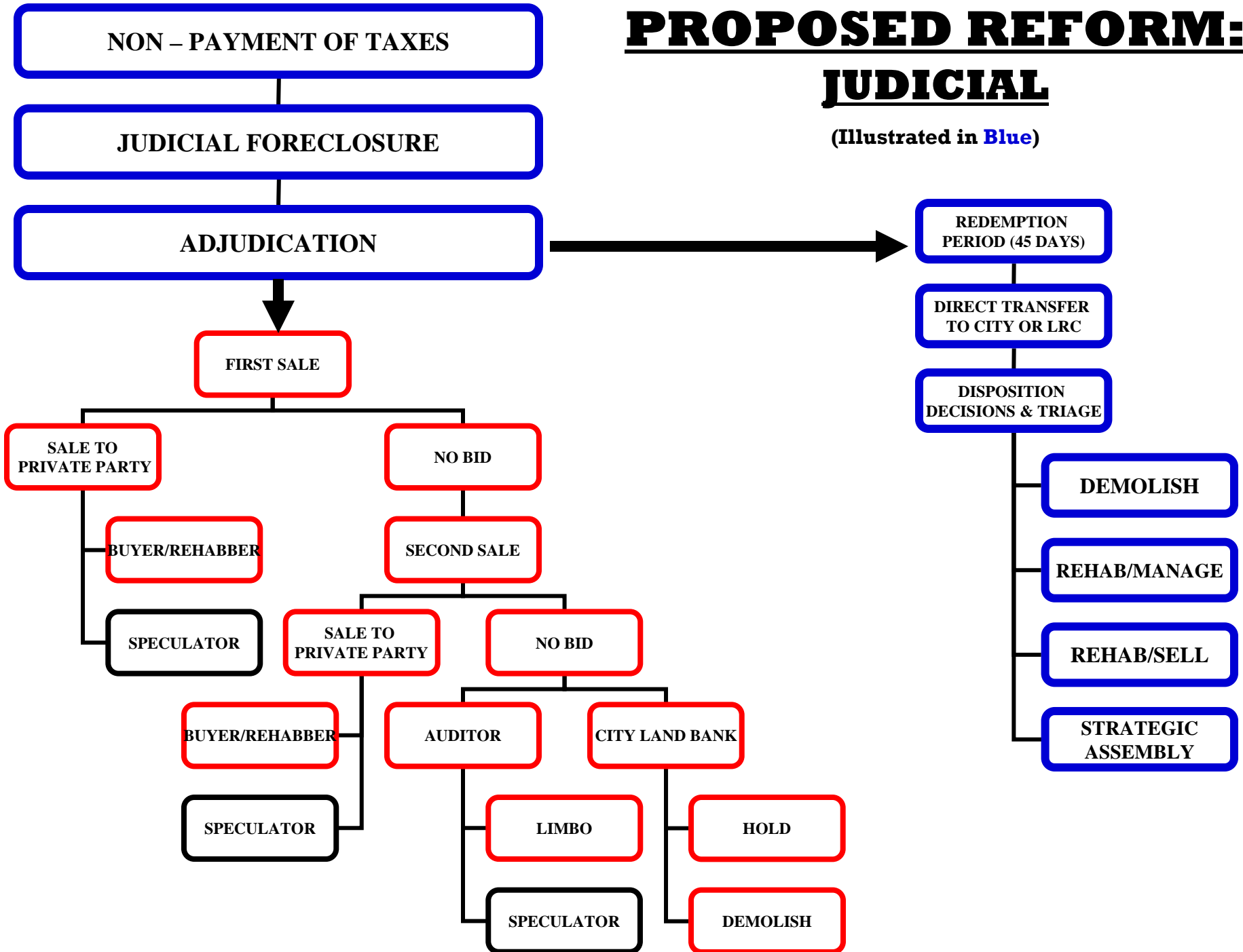
PROPOSED REFORM

(Illustrated in Blue)



PROPOSED REFORM: JUDICIAL

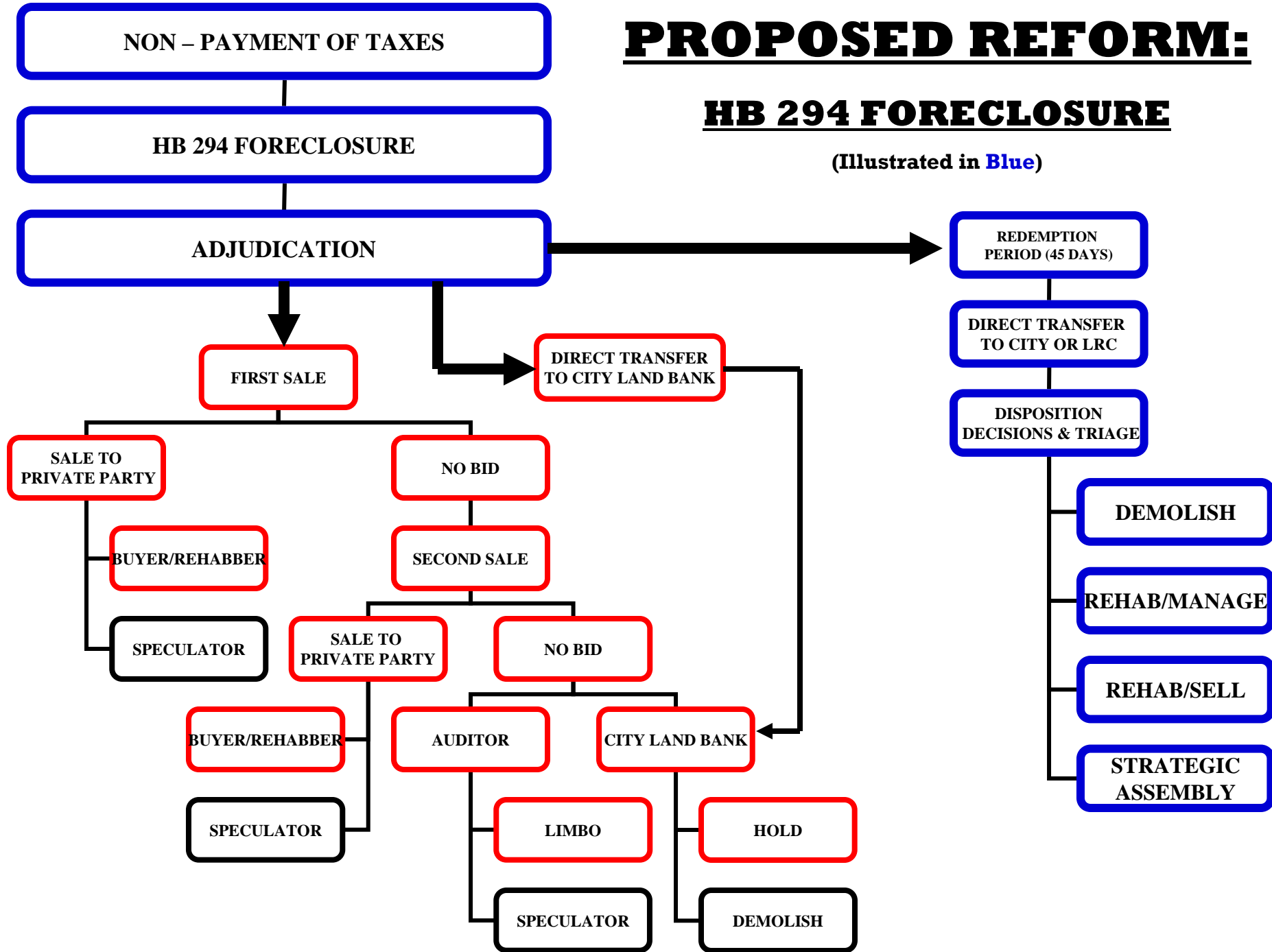
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PROPOSED REFORM:

HB 294 FORECLOSURE

(Illustrated in Blue)



<u>DEFICIENCIES & COSTS</u>	<u>FEATURES & BENEFITS</u>
No strategic repository for bank REO, HUD, FNMA, FHLMC or GSE properties	Creates strategic repository
Disposition options constrained	Cycle of speculation terminated after redemption period expires
Encourages repeat cycles of speculation	Strategic disposition enhanced
Equity is depleted	Equity preserved for recapitalization
Inability to relocate willing owners	Can relocate existing owners
No system-wide protocols	Implement system-wide protocols w/cities & REO's/GSE's
Lacks entrepreneurial capability	Entrepreneurial capabilities created
Unable to leverage existing equity	Existing equity can be leveraged
No capitalization mechanism	Capitalization mechanism created
Cumbersome bidding/RFP rules	Flexible bidding/RFP opportunities
Speculation	Buyers and rehabbers are vetted
No ability to work with lenders on loan & foreclosure counseling	Active counseling agreements with lenders & servicers
Distribution delayed up to 9 months after close of tax collection. Tax district planning constrained due to collection & distribution uncertainty	Tax district planning enhanced due to advanced distribution & certainty of distribution

County Land Reutilization Corporations

Funding

Robert Rink, Esq.

FUNDING A LAND REUTILIZATION CORPORATION

- **Primary Sources of Funding:**
 - Treasurer recaptures, on behalf of the LRC, penalties & interest on current taxes and assessments not paid when due
 - Penalty is 10% of amount due & payable for the first installment payment period; a similar 10% penalty is charged against total amount due & payable for the 2nd installment payment period
 - Interest will be set at 1% per month on taxes going delinquent at close of tax year
 - Cuyahoga County Treasurer estimates that capturing the penalties & interest on delinquent taxes could provide approximately \$7 million annually to fund LRC activities

FUNDING A LAND REUTILIZATION CORPORATION (CONT'D)

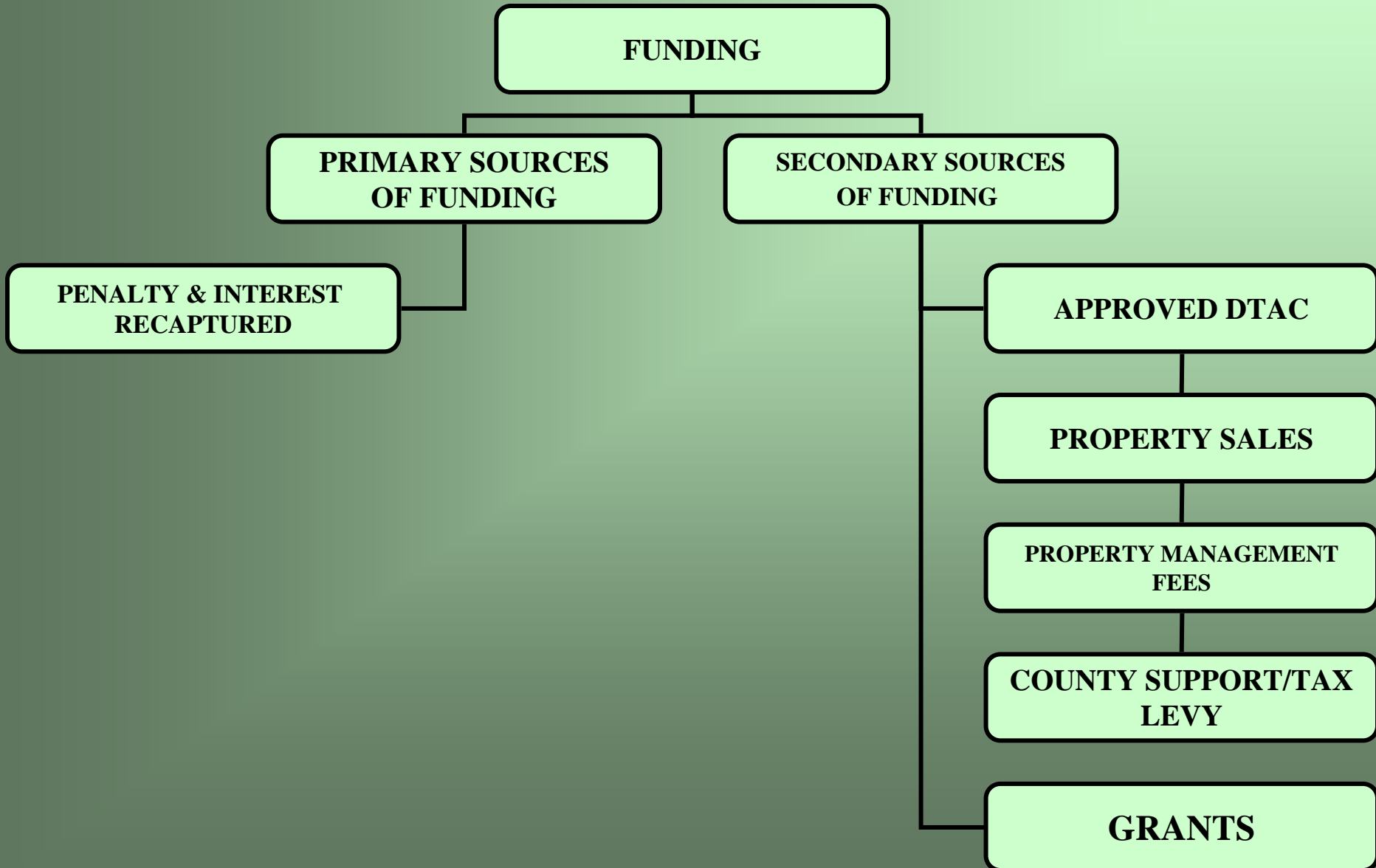
- **Secondary Sources of Funding:**
 - Re-sale of acquired properties to qualified buyers
 - Authorize County Treasurer to apply part of approved DTAC fee retained by the Treasurer's office for LRC activities
 - Board of County Commissioners authorized to make contributions to an R.C. §1724 corporation
 - LRC will be authorized to borrow money, issue bonds, accept gifts & apply in its own name for grants
 - Fees for managing mothballed properties and properties on behalf REO's/GSE's

FUNDING A LAND REUTILIZATION CORPORATION (CONT'D)

• Secondary Sources of Funding:

- *A LRC may* be a Brownfield Revitalization Project applicant
- *A LRC may* give a mortgage on lands that it acquires to secure borrowed money
- *Board of County Commissioners may* support a LRC from its general operating tax levy
- *Board may* levy a voted property tax specifically to fund the activities of a LRC
- *Recapturing Equity:*
 - Sale of properties; *or*
 - Rehab & sell properties to qualified buyers

PROPOSED FUNDING STRUCTURE



County Land Reutilization Corporations

Analysis and Distribution

*Robin Darden Thomas, Deputy Treasurer, Cuyahoga County
Paul Komlosi, Financial Advisor*

COMPARATIVE ACCRUAL ANALYSIS: CURRENT VS. PROPOSED STATUTE

KEY DATE	CURRENT STATUTE (DISTRIBUTION OF TOTAL COLLECTION)	PROPOSED STATUTE (DISTRIBUTION OF TAXES ONLY -- NOT PENALTY OR INTEREST)
July 15	2nd half taxes due	2nd half taxes due
July 16	5% penalty; unpaid taxes are now delinquent	5% penalty; unpaid taxes are now delinquent
July 26	10% penalty	10% penalty
August 1	8 months interest charged on prior year delinquency	1% interest on delinquent taxes
September 1		1% interest on delinquent taxes
October 1		1% interest on delinquent taxes
<i>October 15</i>	<i>Distribution of 2nd half collection</i>	<i>Distribution of 2nd half collection, plus delinquent taxes (no penalties or interest) collected thru September 15 and estimated delinquent taxes to be collected thru June 30 of following year</i>
November 1		1% interest on delinquent taxes
December 1	4 months interest charged on all delinquent taxes	1% interest on delinquent taxes
January 1		1% interest on delinquent taxes
January 15	1st half taxes due	1st half taxes due
January 16	5% penalty on current unpaid taxes	5% penalty on current unpaid taxes
January 26	10% penalty on current unpaid taxes	10% penalty on current unpaid taxes
February 1		1% interest on delinquent taxes
March 1		1% interest on delinquent taxes
April 1		1% interest on delinquent taxes
<i>April 15</i>	<i>Distribution of 1st half collection</i>	<i>Distribution of 1st half collection, plus late current taxes collected thru April 15</i>
May 1		1% interest on delinquent taxes
June 1		1% interest on delinquent taxes
July 1		1% interest on delinquent taxes
July 15	2nd half taxes due	2nd half taxes due
CYCLE REPEATS		CYCLE REPEATS

MODEL TAX YEAR LATE PAYMENTS

Date	Estimated Collection % of Amount Late	Actual Collection % of Amount Late	Collection	Tax Component	Penalty Component (a)	Amount of Early Distribution
Year 1 – First 10 days after close of FH collection	n/a	n/a	\$6,572,834	\$6,259,967	\$312,867	\$6,259,967
Year 1 – Balance of first month after close of FH	n/a	n/a	\$3,237,366	\$2,943,089	\$294,277	\$2,943,089
Year 1 – February	n/a	n/a	\$8,387,448	\$7,625,029	\$762,419	\$7,625,029
Year 1 – March	n/a	n/a	\$4,790,101	\$4,354,681	\$435,420	\$4,354,681
Year 1 – April	n/a	n/a	\$4,494,660	\$4,086,095	\$408,565	\$4,086,095
Year 1 – May	n/a	n/a	\$3,267,244	\$2,970,252	\$296,992	\$2,970,252
Year 1 – June	n/a	n/a	\$4,205,821	\$3,823,512	\$382,309	\$0
Year 1 – July (prior to close of SH collection)	n/a	n/a	\$6,308,264	\$5,734,843	\$573,421	\$0
Total:	n/a	n/a	\$41,263,738	\$37,797,468	\$3,466,270	\$28,239,113

MONTHLY DISTRIBUTION OF LATE PAYMENTS TO TAXING DISTRICTS

Distribution to Taxing Districts: \$28,239,113
 Program Retainage (Penalty): \$2,510,540

MODEL TAX YEAR DELINQUENT

Amount Delinquent as of close of second half: \$84,095,075
 Tax Portion: \$76,450,833
 Penalty Portion: \$7,644,242

Date	Estimated Collection % of Amount Delinquent	Actual Collection % of Amount Delinquent	Collection	Tax Component	Penalty Component (a)	Annual Interest Component (b) 12.00%	Annual Interest Expense 3.00%
Year 1 – First 10 days after close of SH collection	n/a	13.00%	\$10,936,442	\$10,415,868	\$520,575	\$-	\$-
Year 1 – Balance of first month after close of SH	n/a	6.41%	\$5,386,606	\$4,896,963	\$489,642	\$-	\$-
Year 1 – August	n/a	6.99%	\$5,874,233	\$5,340,265	\$533,968	\$-	\$-
Year 1 – First half of September	n/a	5.59%	\$4,698,481	\$4,271,389	\$427,092	\$46,985	\$-
Total:	n/a	31.98%	\$26,895,762	\$24,924,485	\$1,971,277	\$46,985	\$-

MID-SEPTEMBER DISTRIBUTION TO TAXING DISTRICTS

Distribution to Taxing Districts: \$58,835,126
 Program Retainage (Penalty and Interest): \$2,018,262
 Percentage of Current Delinquencies Collected: 32.60%
 Percentage of Current Delinquencies Distributed: 76.96%

Year 1 – Second half of September	n/a	5.59%	\$4,698,481	\$4,271,389	\$427,092	\$46,985	\$(73,544)
Year 1 – October	n/a	10.17%	\$8,553,454	\$7,775,945	\$777,509	\$171,069	\$(84,777)
Year 1 – November	n/a	5.00%	\$4,200,689	\$3,818,846	\$381,843	\$126,021	\$(74,098)
Year 1 – December	n/a	3.43%	\$2,883,165	\$2,621,085	\$262,080	\$115,327	\$(54,658)
Year 2 – January (prior to close of FH collection)	n/a	3.26%	\$2,742,303	\$2,493,028	\$249,275	\$137,115	\$(45,111)
Year 2 – January (post close of FH collection)	n/a	0.85%	\$711,651	\$646,962	\$64,689	\$35,583	\$(38,558)
Year 2 – February	n/a	2.27%	\$1,904,845	\$1,731,695	\$173,150	\$114,291	\$(32,326)
Year 2 – March	n/a	2.30%	\$1,931,592	\$1,756,010	\$175,582	\$135,211	\$(30,708)
Year 2 – April	n/a	3.28%	\$2,756,358	\$2,505,805	\$250,553	\$220,509	\$(26,379)
Year 2 – May	n/a	7.15%	\$6,011,045	\$5,464,641	\$546,404	\$540,994	\$(21,989)
Year 2 – June	n/a	1.08%	\$907,749	\$825,235	\$82,514	\$90,775	\$(15,725)
Total:		44.36%	\$37,301,332	\$33,910,641	\$3,390,691	\$1,733,879	\$(2,063)
							\$(499,937)

APRIL DISTRIBUTION TO TAXING DISTRICTS

Distribution to Taxing Districts: \$-
 Net Program Retainage (Penalty and Interest): \$4,624,633
 Percentage of Current Delinquencies Collected: 44.36%
 Percentage of Current Delinquencies Distributed: 0.00%
 Cumulative: 76.96%

Investment Income Earned by Taxing Districts due to Early Distribution

Traditional April Distribution: \$688,572 (6 months @ 3.00%)
 Traditional October/November Distribution: \$387,910 (12 months @ 3.00%)


SUMMARY

Total to Taxing Districts (plus investment income): \$59,911,608
 Total Net Program Retainage: \$9,153,434

Input =
 Amount Distributed to Taxing Districts through Borrowing =

(a) Delinquent payments within 10 days of close of collection charged 5% penalty; after 10 days, 10% penalty

CURRENT DISTRIBUTION SCHEDULE

	<u>FH Current</u>	<u>LH Current</u>	<u>FH Next</u>	<u>LH Next</u>	<u>FH Next + 1</u>	<u>LH Next + 1</u>
January	Collection ends	Late Payments				
February	Settlement	Collection begins				
March						
April						Penalties applied
May						
June						
July		Collection ends		Delinquent		
August			Collection begins			
September		Settlement				
October						
November						
December						
January	Collection ends				Late Payments	
February			Settlement	Collection begins		
March						
April						
May						
June						
July	Collection ends				Delinquent	
August				Collection begins		
September					Settlement	
October						
November						
December						
January	Collection ends					Late Payments
February					Collection begins	
March						
April						
May						
June						
July	Collection ends					Collection ends
August						
September						
October						
November						Settlement

SCOPE OF ADVANCED DISTRIBUTION

	FH Current	LH Current	FH Next	LH Next	FH Next + 1	LH Next + 1
January	Collection ends	Late Payments Collection begins				
February						
March						
April	Settlement					
May	Early Dist.					
June						
July		Collection ends	Delinquent Collection begins			
August						
September						
October		Settlement				
November		Early Estimated Distribution				
December						
January			Collection ends	Late Payments Collection begins		
February						
March						
April			Settlement			
May			Early Dist.			
June						
July				Collection ends	Delinquent Collection begins	
August						
September						
October				Settlement		
November				Early Estimated Distribution		
December						
January				Collection ends	Late Payments Collection begins	
February						
March						
April				Settlement		
May				Early Dist.		
June						
July						Collection ends
August						
September						
October						Settlement
November						Early Dist.

Thank you

Questions or Comments?