

TO: Ways and Means Committee  
The Ohio Senate

FROM: Gus Frangos, President  
Cuyahoga County Land Reutilization Corporation

DATE: December 2, 2009

RE: Proponent testimony for House Bill 313

Mr. Chairman, Members of the Committee, it is my privilege to speak in favor of H.B. 313 which would enable additional counties to establish county land reutilization corporations. My name is Gus Frangos and I am President of the Cuyahoga County Land Reutilization Corporation which I will refer to as the CLRC. I also bring greetings from Cuyahoga County Treasurer James Rokakis, and together we want to begin by once again thanking this body for passing the land bank legislation last year to help us deal with a real estate crisis the magnitude of which has never been experienced before since, perhaps, the Great Depression.

My testimony will not speak to that crisis per se. You all are well aware of the fall-out and I am sure others will speak to this. Rather, my purpose is to share with you what we have done in Cuyahoga County up to this point.

#### I. OVERVIEW AND CORPORATE SET-UP

The CLRC officially opened up its doors in late June, 2009. Several foundational activities had to be undertaken and completed before the CLRC could begin pursuing its core mission.

Immediately from the effective date of Senate Bill 353 which was April 7, 2009, the activities required to legally establish the CLRC were initiated. These activities included: 1) a formal request to the Board of County Commissioners (BOCC) to adopt resolutions; 2) directing the County Treasurer to prepare and file Articles of Incorporation authorizing the CLRC as the agent of the County to exercise the powers and duties of a county land bank under Revised Code 5722; and, 3) approving the execution of an Agreement and Plan between the County and the CLRC to implement the core mission of acquiring vacant, tax delinquent and under-utilized land, and the restoration to productive status of these lands.

Immediately upon completion of these organizational requirements, a board of directors was seated as prescribed by the statute and a Code of Regulations was adopted. Simultaneously, work commenced around providing the mundane, but critical business start up activities including identifying office space, ordering telephones, selecting account software, creating a chart of accounts, developing a preliminary budget, securing contracts for health insurance and property/liability insurance. At the first organizational meeting, the Board officially hired the President of the CLRC who in turn, interviewed and hired staff.

## II. SYSTEMS AND PROTOCOLS

Much of July, August and September were devoted to preparation of a strategic/business plan and the development of system protocols for the CLRC's core activities. Meetings with governmental and non-governmental agencies with whom the CLRC would interact were conducted to explain the legislation and develop consensus. These entities included the County Board of Revision, the Auditor, the Sheriff, the Prosecutor, the Clerk of Courts and several municipalities. On the non-governmental side, these entities included portfolio holders such as Fannie Mae, HUD, and bank REO departments. Title companies and field service providers with expertise in maintaining and properly mothballing vacant and abandoned homes were interviewed and retained. All system protocols had to be tested and staff training meetings were conducted. Contractual, transactional and other forms were developed and completed.

After a month and a half of testing and debugging what we call "pipelines" through which properties would be acquired, the CLRC was prepared in October, 2009 to start acquiring properties and has started to do so.

## III. CURRENT ACQUISITIONS

To this point, with one month of acquisition under our belt, we have roughly sixty (60) properties acquired and/or under contract. We anticipate having approximately two hundred (200) properties by the end of the year. Initially, many properties will be demolished and the immediate blight eliminated. Property rehab and creative reutilization and land reclamation will follow as we acquire more properties. Our business plan provides a basic road map as to where we would acquire properties, how best to be strategic and, most importantly, how best to work with municipalities to gear our efforts towards their priorities.

## IV. OUTREACH AND GOVERNMENTAL COOPERATION

With respect to community priorities, our business plan envisions entering into individual memoranda of understanding with municipalities wishing to engage with the CLRC. In some instances, this will be a very simple agreement that basically acknowledges the statutory mechanics and the adherence to local planning priorities and building and housing codes. In other instances where communities have well developed planning strategies and priorities, such memoranda of understanding will be more detailed. To date, we have worked extensively with the City of Cleveland and the inner-ring suburbs to establish relationships that address the ever growing needs in those inner-ring suburbs.

The CLRC in cooperation with Cuyahoga County, the City of Cleveland and the County Metropolitan Housing Authority have teamed up to apply for NSP2 funding. The CLRC is the lead applicant of the consortium and has applied for \$74,000,000.

## V. FUNDING

As to the CLRC's central funding, the procedures provided by the legislature have proved very workable. The central revenue stream of the CLRC is embedded in the land bank legislation itself. It provides that at the close of a particular real estate tax collection, the Treasurer is authorized to advance from his daily available balance a portion of delinquent but unpaid taxes. To the extent of this advancement, once the delinquent taxes, penalty and interest are collected, the principal tax amount will be used to reimburse the Treasurer for the initial advancement. In exchange for the early advance, the penalties and interest will go

toward paying interest for this initial advancement, with the balance being directed to the CLRC. To date, the Treasurer and CLRC made two advancements on a very conservative basis to make sure that the system works administratively and to generally track and confirm our tax collection forecasting models. To date, the CLRC has received approximately \$4.1 million and anticipates another \$200,000 to \$300,000 by years end. Once we go through a full year's tax cycle, we forecast approximately \$6 to \$8 million annually will be earmarked for the CLRC utilizing this process. It is this annual revenue stream which, in turn, will be used to leverage additional funds in the form of blended financing consisting of short term letters of credit, and taxable and non-taxable revenue bonds. In the case of revenue bonds, the CLRC is the issuer, and in the case of bank financing, the CLRC is the borrower. All of these obligations including the day-to-day obligations and operations of the CLRC are entirely non-recourse to the County. Indeed, the CLRC is a separate non-profit corporation whose liabilities do not attach to the county itself unless the County chooses to obligate itself.

#### VI. H.B. 313

We are very supportive of expanding this important tool to additional counties throughout the State. Smaller counties can make excellent use of the capabilities of a county land bank. While smaller counties may not be able to raise as much due to population size, the legislation nevertheless authorizes quicker and more efficient acquisition of tax foreclosed, vacant and abandoned land; even smaller revenue streams can nevertheless be leveraged and targeted for priorities within a county; and greater and more transactional efficiencies will allow dollars that are raised to be used far more entrepreneurially than would otherwise be possible with passive city land banks.

#### VII. CONCLUSION

In summary, while it has taken much work to set up the CLRC, the good news is that we have successfully done so and are available to assist any other county that wishes to implement a county land bank. A central concern in any legislation, no matter how well conceived or well written it is, is how functional it works on the ground amongst the various affected governmental and non-governmental agencies. I am happy to report that the legislation is, indeed, very functional and transactionally efficient. This is due in large part to two factors: 1) the high level of cooperation between the governmental agencies in our county (Auditor, Sheriff, Prosecutor, Board of Revision, Treasurer and Clerk of Courts) and, 2) the fact that the legislation essentially is an overlay of existing administrative processes that are recognizable and familiar to administrators, government staff and title companies.

For the foregoing reasons, we feel that other counties would benefit by being able to establish county land banks.

Thank you Mr. Chairman and Members of the Committee, and if you have any questions, I am available to respond.