1-1-2005

Strategy for the Implementation of an Industrial Land Bank

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September 2005

The Ohio Urban University Program

Great Lakes Environmental Finance Center

ACKNOWLEDGEMENTS

The Great Lakes Environmental Finance Center (GLEFC) extends its appreciation to the leadership and staff of the City of Cleveland for their assistance and guidance in the development of this process. The City of Cleveland staff and leadership contributing to project development are Brooke Furio, MBA, Land Revitalization Manager, Department of Economic Development; Greg Huth, Economic Development Director; and Belinda Pesti, Assistant Economic Development Director.

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EXECUTIVE SUMMARY

The creation of an industrial land bank will allow Cleveland to **strategically** assemble large landscapes of property to best compete in the market to attract industrial locations for continuing redevelopment. The City currently assembles small parcels of land, but no single long-term strategy exists within the City committed to redeveloping large acreage to address the needs of new and expanding businesses. Creating an industrial land bank is testimony to the City's commitment to a long-term economic development strategy, as well as commitment to long-term economic revitalization.

An industrial land bank would provide opportunities that don't currently exist within the City for the potential revitalization of vacant land. Today's industrial landscape requires flexibility and technological advances that can be provided or coordinated by the City, or at the minimum, be shepherded by City personnel to turn transactions into long-term vital economic engines. The municipal land management strategy outlined in this report represents an optimal framework for the City to link market demands for commercial and industrial land with the advantages of dealing with the City in developing the overall future goals and vision for its communities.

Strategies for the management and operations of land banks across the country focus on key functions – governance, identification of properties, acquisition, management, and disbursal. For the City of Cleveland, the governance function is of utmost importance to the structure of an industrial land bank to help define its future ongoing operations. The governance of the industrial land bank should be designed to build upon its defined mission and scope, and should incorporate both short- and long-term options for management operations.

Several internal and external options are presented as considerations for the City of Cleveland in structuring its industrial land bank. These options allow the City the flexibility of refining the industrial land bank in its own image. One internal short-term option would be to initiate operation of the industrial land bank within an existing City department until capacity is built, both in human and financial resources. A second internal option would be to create a new department within the City for industrial land bank operations. A third internal option would be to create a board or commission responsible for oversight of the industrial land bank. A long-term external option would be to operate the land bank as an entity separate from the City's internal structure, thus allowing for the establishment of larger partnerships to broaden the resources and the marketing of the land. This partnership approach, such as one utilizing the existing

Cleveland Community Development Corporation (CCDC) or another entity created solely for the industrial land bank, can best maximize resources available and reduce transactional time constraints posed by existing charter restrictions.

The governance of the industrial land bank should be considered as one facet of a larger real property management strategy. Thoughtfully managing the accumulated land would encompass a real estate portfolio management approach, meaning the City should view all of its property holdings as a portfolio of assets and manage them as such. Residential land, commercial and industrial land, and land currently used by the City for public services, can all be managed using an overall real estate asset management approach to identifying the true value of the City's assets. Not applying an overall approach would be contrary to the land bank strategy and could create an administrative quagmire for property acquisition and disbursal.

Devising methods for identifying properties for consideration in the industrial land bank affords the City of Cleveland greater control over its real estate portfolio. One method is to conduct a comprehensive, citywide property inventory to determine the scope of available vacant and abandoned properties. Monitoring tax delinquent properties through a streamlined process coordinated in partnership with the Cuyahoga County Auditor and Sheriff can identify available properties. By networking with community development corporations and commercial brokers, the City can also obtain information on problem properties and potential neighborhood opportunities. Complaints acquired from neighborhood residents present another method of identifying land bank properties.

Attracting, assembling and managing lank bank properties should rest upon a commitment to adhere to the strategy and accept only those properties defined by the decision rules. Decision rules should be adopted that fully support the larger economic and community development objectives of the City. This will prevent the industrial land bank from becoming a repository for any discarded and abandoned land. Properties selected for inclusion into the industrial land bank should be a function of market need. Basic criteria as decision rules for industrial land bank property acquisitions are:

- Properties whose redevelopment will retain existing manufacturing/industrial jobs.
- Properties contiguous to existing industrial or commercial landowners.
- Properties contiguous to existing infrastructure.
- Properties near interstate highway access.

- Properties of at least 20 acres in size, but allowing for those that can be acquired in three- to five-acre sites, **that can be assembled** to meet a size of 50 to 100 acres is ideal.

- Critical development areas as identified by City comprehensive planning, such as CIRI priorities.

- Properties near existing desirable industry leaders, such as those properties near existing bio-medical/tech producers, or other desirable sector leaders.

- Properties targeted based upon geographic priorities of neighborhood economic redevelopment plans, such as those identified by key industrial

Priorities for disbursing properties within the land bank are necessary to maintain a neighborhood or economic development focus. The sale and disbursal of land bank properties in Ohio currently must be made at fair market value. A change in state legislation enabling land banks to determine terms and conditions for property disbursal would allow flexibility in sales conditions and in organizing funding from a variety of resources.

A critical issue in an industrial land bank strategy is the overarching need to utilize technology to both manage properties and attract development. The advantage of investing in new custom-designed GIS-based data management (not just mapping, but decision-making) tools for real property assets is a critical component to the long-term success of the City's economic development vision. Data management would include the active compilation of specific property information at the parcel level, categorically profiled as market rate, idle, transitional, and environmentally challenged properties. Property environmental issues could also be mitigated through implementation of an environmental management system utilizing the data management system.

Funding needs are great in terms of both capital and operating considerations, especially in light of the need for technology support. A broad-based partnership governance structure will provide the needed resources and access to capital required to meet the long-term vision and contribute to the success of the land bank. As a city-wide priority, enabling legislation should be adopted that allocates the industrial land bank receive all proceeds of property sales regardless of the costs involved in operating the land bank itself. In this way, a consistent stream of funds will revolve back to the functions of the land bank for further acquisition and portfolio management activities.

As the industrial land bank management strategy is communicated across City departments and potential partners, a commitment to collaboration in each step of implementation is crucial to the industrial land bank's success. The development of a budget, and clear and consistent communication about the best options for governance will contribute to the City's short- and long-term success of its industrial land bank.

INTRODUCTION

The City of Cleveland seeks to create a long-term vision for industrial and commercial land reuse in order to better serve the business and neighborhood interests of its citizens. The implementation of an industrial land bank is one critical way in which to fulfill this goal. The City engaged the Great Lakes Environmental Finance Center to assist in the development of the industrial land bank strategy. This report serves as the strategy document outlining options and recommendations.

The strategy incorporates the previous work published by the GLEFC of best practices in land bank operations, as well as a thorough review of academic and trade literature, and interviews with several local stakeholders. This report defines and proposes the major structural aspects and functions of the industrial land bank, which are:

- Structure of Governance
- Identification of properties
- Acquisition
- Management
- Dispersal
- Funding

The concept of a land bank is to acquire and purchase vacant and underutilized property with the future goal of productive reuse of the land. For the purposes of this project, we define “industrial land bank” as the assemblage of properties to be reserved for industrial or commercial redevelopment as either individual parcels or grouped into a geographic area, such as an industrial or business park.

The City currently operates a land bank for the development of *residential* properties. The City of Cleveland is one of the first cities to address vacant, abandoned, and underutilized properties while simultaneously planning and restoring properties for neighborhood issues. The goal of this study was to develop a strategy to aid the City in the operation and management of rehabilitating *commercial and industrial* properties for reuse. The objectives of the project were to:

1. Incorporate a strategy that is understood by senior managers at the City that identifies a broad economic redevelopment vision, especially for brownfields.

2. Include in the plan strategies for financing the acquisition and/or transfer of properties into the land bank.

3. Establish elements in the plan to include both short- and long-term implementation.

The project included a Best Practices Scan comprised of a thorough literature review and a national survey of land bank managers. The research revealed several models of land bank operations across the country, which was published as a separate report. Several of these models are referenced in this document to illuminate those practices that have become the new standards in land bank operation. The research revealed no single existing model for a land bank that operates strictly to return industrial or commercial vacant properties to productive reuse. This report summarizes the findings of the best practices, and provides an outline of strategic considerations most applicable to the implementation of an industrial land bank for the City of Cleveland.

The report is organized into five sections, discussing the mission, structure, strategy, and funding for the development of an industrial land bank. The sections of the report are outlined below:

1. Executive Summary – The Executive Summary consolidates the overall findings of the project and relates these findings in summary format.

2. Mission of the Land Bank – This section of the report describes the Mission and intent of the City of Cleveland to form an industrial land bank.

3. Structure of the Land Bank – The findings of the national best practices scan on industrial land banks and options for the operations of an industrial land bank are discussed in this section.

4. Funding – This section of the report presents options on how to sustain the operations of an industrial land bank.

5. Appendices – The report contains two appendices that contain notes from a meeting on formulating an industrial land bank and a bibliography of resources.

MISSION OF AN INDUSTRIAL LAND BANK

Mission and Problem Statement

"The City of Cleveland's Industrial Land Bank seeks to focus on the acquisition, management and disbursal of industrial and commercial land in order to make property readily available for long-term economic development and land revitalization."

This mission statement incorporates a compilation of ideas and statements made by the City of Cleveland's senior community and economic development staff at a strategy discussion meeting held in March 2005. Participants expressed numerous ideas on the importance of industrial and commercial land redevelopment and expressed their desire to see Cleveland's future revitalized through the redevelopment of these properties. One of the most important tools for community redevelopment has been the successful use of the City's residential land bank. The City seeks to replicate that success focusing on the long-term economic development benefits of an industrial land bank.

The following **problem statement** helps define the purpose of this strategy document:

"Without the formation of an industrial land bank, the City of Cleveland has no vehicle to accumulate, assemble, and consolidate *larger* landscapes of industrial properties to meet the demands of today's corporate needs. An industrial land bank will provide vacant land opportunities for potential revitalization currently nonexistent within the City of Cleveland."

The City of Cleveland's reason to create an industrial land bank stems from an ongoing problem – the market need for available parcels of land within the City and inner city business service areas, to address the needs of expanding and new businesses. Today, no strategic method exists to address the long-term (and in many cases, the short-term) needs of local businesses to expand operations or to move into the City to conduct manufacturing or commercial enterprises. While the City succeeds in retaining some businesses and providing limited expansion opportunities, there has been no methodical process driven by a long-term vision to provide developable land for industrial or commercial redevelopment within the City. The industrial land bank seeks to address this problem.

STRUCTURE OF AN INDUSTRIAL LAND BANK

The implementation of the industrial land bank and its ongoing function is a dynamic process of economic development and neighborhood revitalization – not a resting place for abandoned or blighted sites. How a land bank's operations are structured and managed contributes to whether or not vacant commercial and industrial properties become "resting places" or revitalized sites for productive reuse. National research of best practices in the operations of land banks revealed five basic functions key to the management process:

1. Governance
2. Identification of Properties
3. Acquisition
4. Management
5. Disbursal

These structural functions are discussed herewith, and can be implemented by the City in concert with its larger vision for the Zero Blight initiative currently underway.

1. Governance

Determining the structure of governance of a land bank depends largely on what is legally permitted, either in current law or in requiring enabling legislation. Frank Alexander, in his influential writing on land banks, noted that the most important factor in governance is the clarity of functions and goals[1]. Alexander contends that the land bank should rely on the prevailing state statute to identify the land bank's function and goals, in the interest of expediency. In 1976 the State of Ohio enacted such legislation, permitting municipal corporations, counties, or townships to incorporate and implement land reutilization programs. The Ohio Revised Code, Section 5722, details the steps that must be undertaken by a municipality when creating a land reutilization authority or land bank. Municipalities must pass an ordinance reporting the existence of nonproductive land within its boundaries, making the implementation of a land reutilization program necessary. The program can be aimed either at fostering the return of land to productive use or at devoting land for public use. Once an ordinance is adopted, any nonproductive land the city wishes to acquire that has been advertised and offered for sale, pursuant to foreclosure proceedings but not sold, may be sold to

[1] Alexander, Frank, *Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks* (LISC: New York, 2005)

the city for no cost other than the transfer fees. Once land is acquired, the city is responsible for holding and administering the property. The city may then choose to sell the property, as part of the land reutilization program, without competitive bidding. Land must not be sold for less than market value. Finally, if the city so chooses, it is permitted to consolidate, assemble, or subdivide parcels of land.

One approach that can be undertaken by the City of Cleveland in the development of its industrial land bank is to officially adopt an overall strategy of municipal land management (see Figure 1). Steps to acquire, manage, and distribute all real estate held by the City can be viewed as a major asset, requiring fiscal management and oversight. The City currently manages residential vacant and abandoned properties, as well as its other municipal properties. The addition of vacant and abandoned commercial and industrial properties would complete the City's real estate portfolio. Because there are different expectations for each of the three portfolios, an overall strategy is needed to align the acquisition, distribution, and management of the portfolios' operations.

MUNICIPAL LAND MANAGEMENT STRATEGY

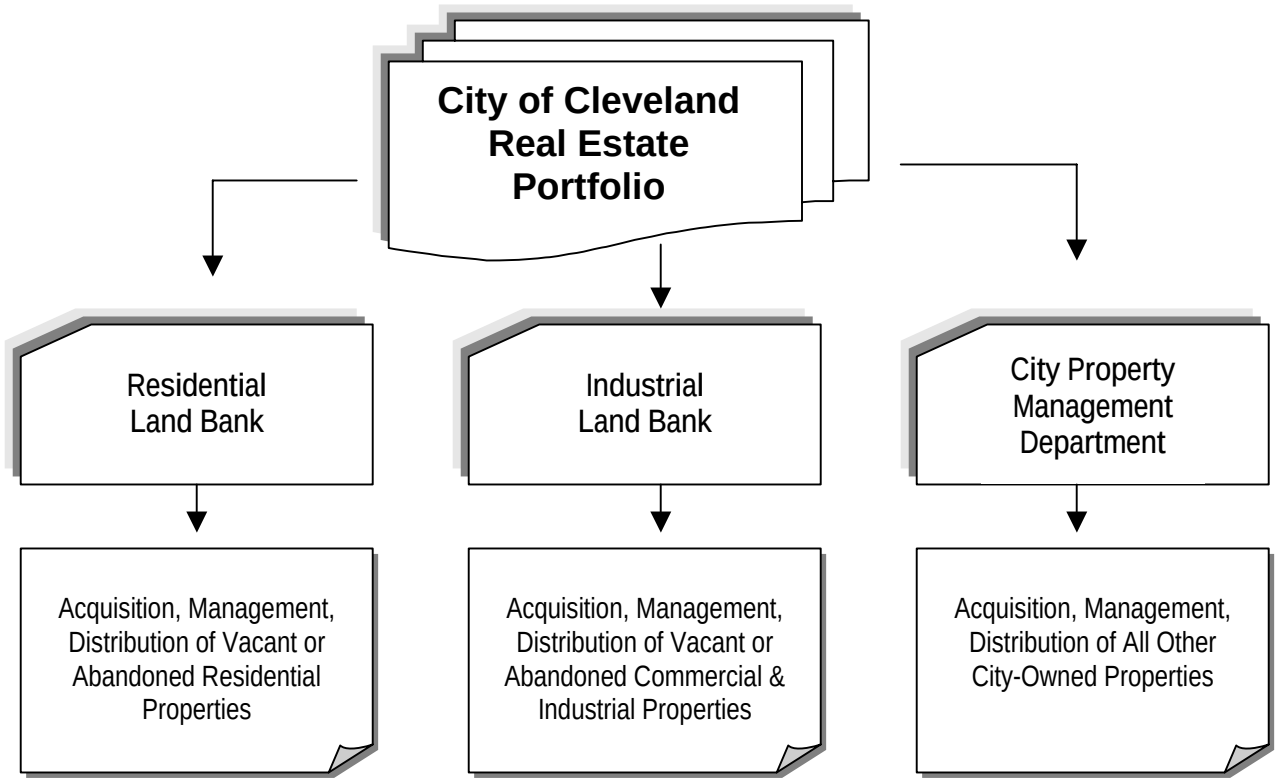

Figure #1

The City's real estate holdings should be viewed as assets to be acquired, managed and disposed of in a financially advantageous manner. Understanding that some restrictions are imposed by state law, this process is already occurring with existing residential land bank properties, as well as many of those currently held by the City for redevelopment purposes, and those properties owned and used by the City for public purpose. The concept of the City managing its real estate holdings in a manner other than on a portfolio basis would not only be administratively time-consuming, but would be contrary to the City's strategy for development of an industrial land bank. Not managing the composite of properties by portfolio would splinter the land bank properties into tactical units of land that would be scrutinized parcel by parcel by the City Council. This minute scrutiny of each parcel rather than by portfolio presents time-consuming administrative burdens upon the acquisition and sale of land, thus severely slowing the process and working against the concept of an expeditious and productive strategy for acquiring and/or disbursing vacant City land.

While the focus of this strategy report is for the implementation of an industrial/commercial land bank, it is important to state that all properties held by the City are assets to be examined, assessed and identified for its highest and best purposes. Hence, the overarching strategy is one of municipal real property management for the most positive financial gain to the City.

The governance of the industrial land bank should be as one facet of the larger real property management strategy. The following options indicate several ways of dealing with aspects of the industrial land bank, but are applicable to all properties under the City's purview.

Options for Internal Structure

Within an Existing City Function

There are several options that the City of Cleveland can consider for structuring its industrial land bank. The first option would be to initiate the industrial land bank within an already established city department. This option was utilized when determining where to locate the City's residential land bank. Section 183.021 of the City of Cleveland's Code, effective in 1991, allows the City to operate the residential land bank under the guidelines provided by the Ohio Revised Code. In the case of the residential land bank, the city placed the administrative responsibilities within the Department of Community Development. With the very recent passage of amendments to the city's Land Reutilization Programs (Secs. 183.021 and 183.022), the City added verbiage to have the Director of Economic Development utilize the sale of property proceeds for environmental assessment and cleanup for the industrial land bank. By

selecting this method of program administration, the City avoided the necessary charter requirements for the creation of a new internal city department.

The critical requirement in this organizational structure is that the separate departments confer and collaborate on a regular basis to achieve the goals set forth by the industrial land bank. An example of interdepartmental collaboration is evidenced by the City of Cincinnati's land reutilization program. The City of Cincinnati's Department of Community Development employs two interdepartmental programs to promote redevelopment. The first, the Cincinnati Land Reutilization Program (CLRP), utilizes an interdepartmental team to identify potential sites from Hamilton County's delinquent tax rolls to be acquired by the city and made available for redevelopment. Projects or development efforts are then identified for the sites by a multi-department, architectural review committee, with final contracts being approved by City Council. The second program, the Strategic Program for Urban Redevelopment (SPUR), allows potential developers to visit the Department's website and search for available redevelopment properties. Like the CLRP, the SPUR program employs a multi-departmental team made up of the Community Development, Law, Environmental Compliance, Budget, and Real Estate departments. The focus of the program is to identify and remove real or perceived barriers to development in order to redevelop underutilized land within the city of Cincinnati. Therefore while the goals, objectives, and administration of the two programs in Cincinnati may differ slightly from those of Cleveland's proposed industrial land bank, its interdepartmental collaboration is noteworthy and replicable.

Within a Newly Created Department of the City

A second option would be to create a new department or division within the City's governance structure. The City's charter, Section 77, addresses the issue of departmental creation. The charter permits the Council, by ordinance and with the concurrence of the Board of Control, to establish any department or office it deems appropriate. Utilizing this option would allow the City to create a new Department of Land Reutilization, charged with administering both the industrial and residential land banks, and existing land already in use and owned by the City. The creation of a cabinet-level department that concentrates on redevelopment within the City's structure would encourage political stability and adequate resources throughout the evolution of the city's administration.

Although not technically an independent city department, the City of Philadelphia's Neighborhood Transformation Initiative (NTI) was created in 2001 to revitalize Philadelphia's neighborhoods. The NTI is a separately functioning city program, with its own director, policy, and administrative staff. As a component of NTI, the City of Philadelphia aims to assemble land for redevelopment. It is through NTI that

the city acquires large quantities of land, retains them for redevelopment, and develops specific market strategies for disbursal. NTI has been successful in large part because of the high degree of intergovernmental cooperation between the mayor's office, city council, and departmental directors.[2]

Creation of Separate Board or Commission

The third internal option the city could choose to implement is the creation of a board or commission responsible for oversight of the land bank. The board or commission could be modeled after any of the existing structures within the city; the Planning Commission and the Board of Zoning Appeals (BZA) are two such examples. Under a commission governance scenario, the mayor and council are responsible for appointing members of the board for a fixed period of time. This structure has the advantage of providing additional resources to the land bank. The commission is responsible for nominating a director, who is then appointed by the mayor. The director has the ability to appoint technical staff committed to the operation of the land bank. Working in conjunction with staff, the commission would be responsible for final decisions on all land bank properties and projects. Under a board governance scenario, the Mayor would be charged with appointing members to the board for a fixed period of time. Unlike a commission, a city board would not be equipped with staff; instead it would likely rely on the technical expertise of established staff within the city's current structure. The board would, however, have the jurisdiction to make decisions regarding land bank properties and projects.

If the City does determine to house the land bank internally for the long term, there are some procedural considerations that must be addressed. The key concern centers on the authority of the land bank to target, acquire, and transfer properties independently without council approval. Alexander specifically cites the myriad of problems inherent with a process that requires council approval on all transactions, contending that such a process "will increase substantially the length of time required for a disposition, undercut the coherence of disposition policies, or both." Currently, Cleveland's residential land bank transactions can take two years or more. The research of the GLEFC best practices concurs with this view as a less desirable method for establishing an industrial land bank, especially when contending with the added dimension of potentially environmentally contaminated properties (i.e. brownfields) and the amount of coordinated planning and attention these properties take to put back into productive reuse. However, if the City determines that a land bank would be best structured within the City, it should consider utilizing a portfolio approach to property

[2] City of Philadelphia, "Neighborhood Transformation Initiative, Land Assembly", 2005 http://www.phila.gov/nti/landassembly.htm

management and disbursal. When establishing the land bank's core policies, delegating authority of program administration to the land bank staff would expedite program operations.

Options for External Structure

Upon establishment of the industrial land bank, there exists a time period in which it will be necessary to administer the program internally. During the program's infancy, internal management and administration are required to ensure that proper strategies, policies, and technical expertise are developed within the City's Economic Development Department. However, as the program evolves and builds a greater capacity for success through funding stability, institutional support, and increased technical knowledge, external options should be considered. **After this initial period of internal administration and capacity building, the City could then choose to create an organization external to the city structure charged with the responsibility of administering the land bank.**

The power to create such an organization lies solely with City Council. Two separate scenarios for the creation of an organization external to the City's structure are possible. First, the Council could vote to relinquish its oversight powers and control through establishing legislation that would then determine what level of governance the new external organization would employ. Second, a citizens' group could lead a referendum or initiative drive. The goal of the drive would be to amend the City's charter, permitting the creation of an organization external to the City's structure. Within the referendum would be ground rules for the creation, implementation, and termination of the new organization.

Given ORC 5722 however, the City's current options are limited with regards to the creation of an organization external to the city. Under current Ohio law, land banks operate as city programs authorized by state statute, rather than a legal entity independent of the city. **Although this is the case, there are several options for creating partnerships with other local governments or through the creation of a Community Improvement Corporation (CIC).** Partnerships with other local governments, such as Cuyahoga County or the Port Authority, are permissible and would require Council legislation for their creation. Numerous scholars in the area of redevelopment have pointed to regional cooperation as an integral aspect of any successful redevelopment effort.

While the operation of a land bank must begin as an internal program, the City may choose to establish a nonprofit organization dedicated to advancing the city's development needs through the creation of a Community Investment Corporation (CIC).

The City of Cleveland has previously established such a not-for-profit venture to promote development, known as the Cleveland Citywide Development Corporation (CCDC). Under ORC 1724.10, Cleveland may designate a CIC as a political subdivision that is able to acquire, hold, lease, sell, and distribute real and personal property. Franklin County, Ohio recently established the Franklin County Land Bank and the Ohio Community Improvement Corporation (OCIC) for the purposes of industrial land reutilization. In the case of Franklin County, the county acquires the property then transfers title of the property at market value to the OCIC. From there, OCIC contracts with an asset management firm specializing in redeveloping underutilized land. The county's sole role in the process beyond establishing the OCIC to manage and administer the industrial land bank, is acquiring properties for redevelopment. The City of Cleveland could employ a similar strategy with CCDC as the management and disbursal arm of the land bank.

The Genesee County Land Bank Authority (GCLBA) serves as a model for intergovernmental regional cooperation. [3] The GLCBA was formed in 2002 as a collaborative effort between Genesee County and Flint, Michigan. The inter-local agreement created a governing body, the Board of Directors, who are responsible for most of the land acquisition and allocation decisions. The GCLBA's efforts were bolstered in 2004 with the passage of state legislation enabling local governments to create land bank authorities with independent powers to acquire, manage, and distribute vacant, abandoned, and tax-delinquent properties. Since its inception in 2002, the GCLBA has acquired 4,400 properties into the land bank and distributed 200. The land bank classifies properties by site characteristics and employs a market-based approach to redevelopment, thus ensuring clear focus and objectives for land reuse. The GCLBA's governance is noteworthy for its high level of cooperation between both public and private entities.

2. Identification of Properties

Like many older, rust belt cities throughout the Midwest, the City of Cleveland is home to a substantial number of abandoned, vacant, and problem properties. A strategy for identifying problem properties must exist prior to any acquisition or disbursal goals being identified. This can be a daunting task, due to the presumed magnitude of the vacant property stock in Cleveland and the difficulty in accurately assessing this stock. Traditionally, the identification process has been confined to the monitoring of delinquent property taxes or residential complaints. Increasingly, however, communities are beginning to rely on more technologically efficient means through which properties can be identified and systematically prioritized. Data analysis tools such as Geographic

[3] GLEFC: *Best Practices in Land Bank Operation,* June, 2005.

Information Systems (GIS) software is helping to expedite the identification process and minimize the response time from city employees. A method of property identification would serve as the foundation of an efficient industrial land bank model, and allow Cleveland to maintain greater control of future acquisitions and disbursals.

Citywide Property Assessment

Before any strategic property identification methods can be undertaken by the City of Cleveland, a full understanding of the City's property stock must be available. A recent report by the National Vacant Properties Campaign states, "No one knows precisely how many vacant and abandoned properties exist in Cleveland today. Estimates range from 10,000 to as many as 25,000."[4] Though Internet databases and accessible county and city records have increased the availability of property information, the City of Cleveland must take additional steps to ensure that it fully understands the extent of problem properties by conducting a comprehensive citywide property inventory. A citywide property inventory would provide Cleveland with a tangible foundation of knowledge with regard to the actual extent that vacant and abandoned properties exist.

Other cities have undertaken such steps prior to the implementation of comprehensive neighborhood land strategies, and should likewise be addressed for underutilized industrial and commercial properties. For instance, before the city of Philadelphia began its innovative Neighborhood Transformation Initiative, they conducted a comprehensive survey of vacant properties throughout the city. The survey included the identification of vacant residential and commercial structures, as well as vacant parcels of land. This survey eventually revealed nearly 60,000 vacant commercial and residential properties and lots, and gave Philadelphia a pivotal advantage in its property identification strategies. While reliance on traditional methods of property identification is necessary, a comprehensive understanding and identification of properties in the City of Cleveland can provide long-term identification benefits, and reduce future land bank inefficiencies.

Delinquent Tax Identification

The traditional methods of property identification should play a vital role in the adoption of an industrial land bank by the City. Perhaps the most widely used method is that of delinquent property tax identification. Land banks can quickly identify properties that are potential candidates through a systematic and continual monitoring of tax

[4] Mallach, A, Mueller-Levy, L. & Schilling,J. *Cleveland at the Crossroads: Turning Abandonment into Opportunity.* June 2005.

delinquent properties. While much of this is currently accomplished through the residential land bank staff and CDC monitoring of tax foreclosure lists from the County Auditor and Sheriff, a more streamlined process should be implemented. One way this can be accomplished is through a memorandum of agreement that would ensure greater levels of intergovernmental cooperation between Cuyahoga County public and elected officials, in partnership with the City of Cleveland. Currently, the City enters into a lengthy and cumbersome process of bidding and finally accepting appropriate properties at either the Sheriff's sale held three times per year, or from the County Auditor once per year, a process which can take two years for a single parcel. To allow a more strategic method of property identification, the City could work with the with county and community leaders to implement a series of tasks that allows for the identification of strategic properties prior to public sales.

Additionally, the assignment of a specific industrial land bank employee to the maintenance and monitoring of a tax delinquent property list can provide institutional perspective on problems that may be developing. The accuracy of delinquent taxes as a means of identifying vacancy or abandonment can also be further evaluated through the review of water, gas, or electric bills, all of which may serve as a sign of a vacant or abandoned property before it becomes such.

Partnerships with Key Community Groups

Another approach to property or parcel identification is found in the networking with two distinct community assets: community development corporations (CDCs) and industrial/commercial real estate brokers through an organization such as the Cleveland Area Board of Realtors (CABOR) and the Society of Industrial and Office Realtors (SIOR). Both groups can be called upon and partnered with to act as neighborhood liaisons through which information on problem properties and potential opportunities can be funneled.

Community Development Corporations

Cleveland's vast network of more than 30 community development corporations (CDCs) can be further relied upon to coordinate local change and neighborhood awareness. Much of the current property identification for the residential land bank acquisitions relies upon Cleveland's strong network of CDCs. Currently, Neighborhood Progress Inc. (NPI) is developing a land assembly strategy that incorporates greater involvement of CDCs and their individual neighborhood assembly plans and strategies across the CDCs and the city. This effort, coupled with the completion of a vacant land database currently being compiled for NPI, will provide valuable planning information that the City can use for identification purposes.

While the impetus for these initiatives is in redevelopment of neighborhoods and residential properties, CDCs have a unique understanding of the total landscape of Cleveland's abandoned or underutilized properties. Local development organizations focused on industrial and commercial development should also become key players in the identification and strategy implementation of the industrial land bank, such as WIRENet, for its focus on the more complex relationships involving industrial and commercial properties, including brownfields redevelopment.

Commercial Brokers

The Cleveland Area Board of Realtors boasts members reaching into the thousands, but also has more than 400 commercial and industrial brokers as active members in Cleveland's industrial areas, and hosts a Commercial Committee as part of their board. Likewise the local chapter of the SIOR is also very active in local commercial property brokerage. Tapping into the local networks of industrial and commercial real estate brokers for property identification and advice on market needs could prove to be an unusually advantageous knowledge base from which the city can benefit. The industrial land bank staff could potentially promote an ongoing public-private dialogue with these stakeholders, and foster greater community accountability and action in the identification of properties.

Complaint Resolution

An additional component of traditional property identification is residential complaints. Often times, neighborhood residents serve as the best indicators of negative change, as they are most visibly aware of aesthetic changes in their environment. In an effort to streamline this process, the City of Cleveland should consider adopting an information and complaint access number similar in fashion to the 311 complaint lines implemented by the cities of Baltimore and New York. Though the city currently maintains a Building and Housing Code Violations hotline, the process contains many steps, and does not appear to allow for an expeditious identification and correction of problem properties. The implementation of a simple and efficient access system would provide ease of use for residents who might otherwise have a difficult time determining the correct agency or department to contact. These lines function exclusively for the purpose of providing city information and receiving residential complaints. Online complaint forms also provide ease of use for residents to voice concerns about problems in their neighborhoods. The ability of residents to easily report problems to the City of Cleveland, and the ability of employees to address those issues in a timely manner, can have a cumulative effect that generates greater residential participation, and fosters a higher degree of trust and understanding between residents and those in charge of property identification.

Technology Applications

While these traditional forms of property identification will remain vital to the success of an industrial land bank, Cleveland should adopt new and innovative identification methods that have been developed elsewhere to allow for greater data analysis and community wide perspective. Perhaps the most innovative of these is an approach that adapts existing GIS data with other available site data to create a Land Reutilization Databank.

GIS, while commonly viewed as simply a mapping program, is in actuality an integrated data analysis tool that allows for complex assessments of community issues. GIS allows users to establish causal relationships between pre-determined variables, to identify significant spatial land patterns that might otherwise be overlooked, and to identify properties that fit best with the role of community wide strategies. For example, the city of Philadelphia has established a GIS-based Decision Support Model that profiles identified priorities based on the strategic goals of its larger Neighborhood Transformation Initiative. Such a system can prove even more efficient when coupled with a community monitoring service. Community monitoring services, such as CityStat in Baltimore and ComStat in New York City, measure employee response times, filter residential complaints, and provide timely and accurate assessment of community-wide trends. Additionally, as residents file complaints about problem properties in their neighborhoods, community monitoring services measure the response time of employees and help to prevent extended periods of unanswered complaints. Officials can then integrate these functions into the larger GIS system to provide comprehensive property analysis and streamlined response times. Though the City of Cleveland currently uses GIS, a data approach that prioritizes real property management by the strategic goals set forth in the highest and best use of all land managed by the City is suggested.

3. Acquisition of Land Bank Properties

Properties currently entering the residential land bank enter through three different means: property tax foreclosure, gift in lieu of foreclosure, or other foreclosures. The primary means of currently acquiring residential land bank properties are through the tax foreclosure process. It is a lengthy and cumbersome process beginning with property identification by CDCs or the City, with contact made with the County Auditor and County Sheriff's offices, and ends with the City receiving title. In 2004, the City received title to more than 375 properties. The process can take up to two years or longer.

There are property attributes that are commonly examined before acquiring properties for inclusion in an industrial land bank. These attributes include determining decision rules to best meet the program's goals and objectives, determining criteria for land acquisition, and utilizing market data in formulating property attributes.

Criteria

As stated in the draft mission statement, land revitalization through the accumulation of readily available land is at the core of the mission for the industrial land bank. Therefore, decision rules should be adopted that meet objectives at each step of the acquisition process to each goal, and that fully support the larger economic and community development strategies of the City.

Each property under consideration for acquisition by the City should meet a set of criteria that reasonably leads to the strategic mission of the City, and that incorporates the Zero Blight Initiative and the overall comprehensive plan for the City's economic well being. The industrial land bank should be viewed as an economic development tool in a broader context of vacant property management and real property management in the strategic portfolio approach already identified.

To this end, the following are a list of considerations for assessing the feasibility of acquiring properties that have already been identified in the larger real property portfolio of the City. It is important to state that acquisition of properties into the industrial land bank should be a function of market need and not of land bank want. Market-driven acquisitions will lead to successful disbursal and redevelopment. Basic criteria for industrial land bank property acquisitions are:

- Properties whose redevelopment will retain existing manufacturing/industrial jobs.
- Properties contiguous to existing industrial or commercial landowners.
- Properties contiguous to existing infrastructure.
- Properties near interstate highway access.
- Properties of at least 20 acres in size, but allowing for those that can be acquired in three- to five-acre sites, **that can be assembled** to meet a size of 50 to 100 acres is ideal.
- Critical development areas as identified by City comprehensive planning,

such as CIRI priorities.

- Properties near existing desirable industry leaders, such as those properties near existing bio-medical/tech producers, or other desirable sector leaders.

- Properties targeted based upon geographic priorities of neighborhood economic redevelopment plans, such as those identified by key industrial community development concerns (e.g.: WIRE-Net, NPI, Inc., Slavic Village, Maingate, and others).

Market Data

These criteria are based upon the market for industrial real estate in Cleveland, which identifies a slowly recovering market for industrial real estate. According to CB Richard Ellis, vacancy rates for industrial facilities were at 9.6 percent at the end of the second quarter for 2005, a slightly favorable decrease from the previous quarter.[5] The most favorable space being purchased is land with smaller structures, or those with larger structures that can be renovated into efficient space for both industrial and commercial operations. The outlook and the driver for industrial real estate in the Cleveland market continues to be the need for more efficient space with room for future expansion. According to Howard Lichtig of CB Richard Ellis, there is a concentration of manufacturers in the city, those who have been long-time stakeholders in Cleveland business, who are housed in functionally obsolete buildings, which will eventually no longer serve their needs. These businesses seek to remain in Cleveland, near their current workforce, near current infrastructure and highways. The industrial land bank offers an opportunity to plan for long-term retention and expansion of existing concerns, as well as make way for new business attraction. Following a specific acquisition strategy using the above criteria will help achieve this long-term goal.

4. Management of Properties

In keeping with the goal of actively managing the overall portfolio of City properties once acquired, the management of the industrial land bank properties comprises three major functions: (1) Data management and analysis; (2) Environmental management; and (3) Marketing. These functions are recommended as part of the dynamic ongoing portfolio management strategy and are described below.

[5] CB Richard Ellis, Cleveland Industrial *MarketView,* Second Quarter, 2005.

Data Management and Analysis

The use of technologically advanced information systems is one of the hallmarks of good portfolio management, as evidenced by the data analysis methods employed in cities like Philadelphia, Baltimore, and Portland. Critical to the success of the industrial land bank is the active compilation of property-specific information, from which all other activities flow. Two components make up the data and its analysis: (1) Parcel-level information; and, (2) Profiled groupings of properties. Consistent with good portfolio management of any kind, the ability to fully understand the holdings by each type and by groups of properties will assist in the maintenance of land bank properties, as well as their active marketing to an appropriate end-user.

Parcel-Level Information

General characteristics should be identified at the parcel level for properties under consideration as land bank acquisitions. Once these characteristics are identified, then a portfolio of property profiles can be designed and organized into categories or groups of similar properties. Through this method, the management of properties can be assigned to groups of properties rather than by individual parcel. This can conserve resources and make planning and management functions, especially for environmental issues, more efficient as the portfolio of properties grows. The following characteristics are suggested for compiling each holding in the industrial land bank:

- Acreage
- Zoning
- Square footage of structure(s)
- Location/street address
- Statistical Planning Area (SPA)
- Permanent parcel number
- Ward
- Access to infrastructure, and type (water, sewer, gas lines, etc.)
- Access to highways
- Environmental condition, ie. Phase I assessment completed, findings, etc.
- Market value
- Appraised value and date of appraisal; obsolescence characteristics
- Demolition status
- Last known use, and
- Other market-driven characteristics as available

Profiled Groupings of Properties

Four categories are suggested for the portfolio of property profiles:

1. Market rate or near-market properties*:* Those that have little negative characteristics that prevent their eventual redevelopment. For instance, a property with lesser access to desirable roads, but still meeting one or more of the acquisition criterion. This could also be a property that sits between two other desirable properties in order to assemble a larger amount of land.
2. Idle properties: Those properties that are not functioning in the real estate marketplace at all; abandoned building or some need for minor attention environmentally, such as small demolition.
3. Transitional properties: Those that were once residential but now sit in the midst of an otherwise commercial or industrial neighborhood. No longer viable as originally zoned.
4. Environmentally challenged properties: Those properties that have a known environmental issue, such as an underground storage tank removal, some demolition; any known environmental problem short of a National Priorities List (Superfund site) or under an enforcement action by regulators. (The industrial land bank will not accept these types of properties).

Environmental and Risk Management

The second important component of property management for the industrial land bank is the management of environmental issues surrounding the portfolio, and the need to address these in a holistic manner. By this it is meant that the entire portfolio will undoubtedly contain some very marketable properties at one end of a continuum, to those that are environmentally challenged at the other end. Again, if acquisition decision rules (criteria) are adhered to, the market will eventually absorb all of the properties. The goal is to mitigate risk as much as possible while managing the overall portfolio. One option to consider is the implementation of an environmental management system (EMS) that may help to achieve a balance in the risk associated with the portfolio.

In its simplest form, EMS allows an organization to systematically manage its health and safety matters by implementing a continual cycle of "Plan, Do, Check, and Act." This model can be applied to the management of all real estate in the city's portfolio, but can be tailored to the specific needs of the industrial land bank. Some benefits include improved environmental performance and compliance, prevention of pollution and conservation of resources, reduction and mitigation of risks, greater lender comfort as a result of improved risk management, and increased efficiency. This model

is often adapted to wastewater systems and other public service functions, and may already be in place in other areas of the City. Its adaptability to the management of the industrial land bank can enhance the overall strategic and long-term viability of the land bank's success.

By implementing an EMS or other form of risk management system or strategy, the City can create a true portfolio that is managed according to risk within the above profile groups. Once the portfolio is well catalogued and identified for property characteristics, environmental contamination can be well identified and no longer becomes a "risk" in the common use of the term. The environmental contamination becomes a quantifiable cost on a redevelopment pro forma statement. Only then is the determination for the need for and hence pursuit of environmental insurance required.

Environmental insurance for the overall portfolio should indeed be considered. Identifying a broker and subsequent underwriters for the portfolio is complex, and requires careful selection by the land bank developer to maximize benefits for the end use and end users. Kristen Yount and Peter Meyer have identified several factors in determining insurance needs and procuring environmental insurance specific to public-sector led brownfields redevelopment, and they identify useful guidelines for cities. [6] These include insured remediation contracts, including pollution liability, fixed price remediation contracts, and cost-cap insurance, as well as how to develop elements for an RFQ for brokerage services, a topic often problematic for cities needing to follow least-cost and open-bid requirements. Environmental insurance can be a desirable element in the land bank strategy, but the City should seek expertise from brokers (relatively few) who truly understand environmental risk management.

Marketing

The third function within the property management operation is marketing. Rather than using the land bank for a simple repository of industrial properties, marketing of land bank properties should be ongoing and active. By utilizing the profiles of properties outlined above and meeting market needs, the industrial land bank can be successful with a well-developed marketing plan.

A component of the marketing plan worth mentioning here again is the use of public-private partnerships with industrial and commercial real estate professionals, such as those from the local SIOR and CABOR organizations. An advisory group that meets quarterly may become an excellent venue for information sharing on property

[6] Northern Kentucky University and University of Louisville, *Brownfields Insurance for Public Sector-Led Development Projects: Experience and Methods,* May 2005.

identification and marketing strategies. This proposed advisory group should be comprised of industrial land bank staff, and representatives from CDC/CICs involved directly in industrial and commercial revitalization, in addition to the private sector professionals already mentioned. This group can have an educational advisory role for the industrial land bank to keep abreast of market conditions and relevant issues for the City. Marketing is an ongoing function consistent with the dynamic nature of an industrial land bank devoted to long-term economic redevelopment.

5. Disposition of Properties

Existing state legislative authority for land banks in Ohio limits the current ability of a land bank to fully determine the terms and conditions of a sale or disbursal of properties from the land bank. In other words, for Cleveland's existing residential land bank, sales of properties for commercial purposes must be at fair market value, as opposed to another distribution arrangement that might provide a way of recouping expenses incurred on any particular property. For example, a brownfield's costs may actually reduce the fair market valuation of the property below what is actually needed to simply cover costs of assessment and remediation. Current "fair market" valuations will reduce the amount the City can expect to receive for a property that it has spent funds to clean up. This is the typical "upside down" nature of the development value of brownfields that needs to be mitigated by gap funding from a variety of sources, including public, private, and non-profit/foundation support.

A change in state enabling legislation as to the authority of land banks to establish its terms and conditions for disbursal of properties is needed to provide more flexibility with respect to sales conditions for all vacant property, not just brownfields or industrial/commercial sites. In this way, a land bank can organize to structure funding from a variety of sources, including land sales.

The Genesee County Land Bank Authority (GCLBA) is an excellent model for distribution of properties.[7] It has complete authority as an independent entity to establish the terms and conditions for transfers of its properties. Further, it establishes priorities as to how properties will be distributed, based upon three broad parameters. The three broad parameters are:

1. Priorities for Use of the Property
   - Productive (highest and best) commercial or industrial reuse of the property[8]

[7] GLEFC: *Best Practices in Land Bank Operation,* June 2005.

[8] "Highest and best use" is a common appraisal term meaning the reasonable, probable, and permissible

- Return of property to tax-paying status
- Job creation or retention
- Land assemblage for adjacent development

2. Priorities as to the Recipient
   - Adjacent property owners, for use in expansion of existing business operation, as long as the intended use is the highest and best future use of the site
   - Entities who will own and occupy the site for business purposes, creating economic development opportunities within an established time period
   - Qualified non-profit development organizations that will hold title for long-term basis for commercial or industrial redevelopment, or who will hold title to eventual transfer to commercial or industrial developer with an approved redevelopment plan

3. Priorities as to Economic and Neighborhood Development
   - The preservation of existing stable and economically viable neighborhoods
   - Focused geographic areas based upon existing market demand for type of commercial or industrial space (for example, those adjacent to new redevelopment for industrial or commercial space, reviving commercial or business districts and neighborhoods)
   - Targeted geographic areas strategically identified for which there exists an approved development plan (e.g.: through the City's planning or coordinated with CIRI, local CDCs and NPI, Inc.; and the Zero Blight Initiative)
   - Neighborhoods in which a proposed disposition will assist in halting a decline or deterioration

In addition to adhering to these priorities for how the property will be distributed, it is also important to establish policies that prohibit types of transferees from the process, to better maintain an overall economic or neighborhood redevelopment focus. An example of this would be to **exclude** any recipient from land bank properties who also owns existing property in violation of existing state and local codes.

As stated earlier, if the industrial land bank adheres to earlier strategies of how properties are acquired, then distribution will follow according to the available prescribed inventory. It is not an overstatement to reiterate that investment in all forms (land bank acquisition and dispersal, infrastructure, redevelopment or tax incentives) should only flow to those focused areas of redevelopment aligned with the land bank strategy. Resources and capacity are limited, and should only be focused on worthy properties within the strategy framework.

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use that will support the highest present value, as of the effective date of the property appraisal.

FUNDING

Sustainability of the land bank will be realized through funding acquired for operations and for capital expenditures of land acquisition, demolition, assessment and remediation. Before sources of funds can be sought, there should be a clear understanding and acceptance of the strategy for the industrial land bank, as a priority for the City and future economic development efforts. All members of city and county government, as well as partners, in the land bank strategy implementation, should have a clear focus and commitment to the strategy. This will allow for the proper defense of land bank operations and property redevelopment throughout the tenure of economic redevelopment, and serve as the guiding principle upon which all decisions are made.

As a city-wide priority, enabling legislation should be adopted that allocates the industrial land bank receive all proceeds of property sales regardless of the costs involved in operating the land bank itself. In this way, a consistent stream of funds will revolve back to the functions of the land bank for further acquisition and portfolio management activities. This funding method would support the industrial land bank as a City priority and send a clear message of the importance of economic development to the City.

A budget should be developed identifying operational costs as well as capital costs and revenues. The operating funds for the industrial land bank will cover staffing, overhead, and data management technology; the latter being a significant investment in upgrading the City's use of a custom land bank property management data system that should incorporate GIS. Sources for the operating funds need to be committed by general operating budgets of the City, who are in part, funded by a variety of federal funding mechanisms, most notably CDBG for the residential land bank.

Funds for capital expenditures of land acquisition, assessment and remediation will also be needed, and some funds from the general revenue fund should be committed to purchase strategically important properties that would not enter the industrial land bank otherwise. Other funding for assessment and remediation activities can come from US EPA, the state of Ohio's Clean Ohio Fund, proceeds of sales of properties, and other sources to be determined. Tax Increment Financing (TIF) may also come into use once a number of properties have come to be redeveloped and have shown a track record of success.

Further funding sources should be examined as the process of implementation of the industrial land bank begins, and more opportunities are revealed.

APPENDICES

Appendix A: Sources

Appendix B: Residential Land Bank Process

Appendix A: Sources

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Appendix B: Residential Land Bank Process

Notes from the Review of Residential Land Bank Procedures Aug. 11, 2005

Facilitated by Kirstin Toth, GLEFC. Attendees: Brooke Furio, Greg Huth, Belinda Pesti, Raymond Rea, Daryl Rush, Ed Rybka, Joe Sidoti, Evelyn Sternad, Shirley Tomasello, John Wilbur.

Intake:

Properties enter the land bank in one of three ways; through:

- Tax foreclosure
- Foreclosure, or
- Gift

Only properties that fit the following criteria are accepted into the land bank:

- "Non-Productive": those lots that are vacant, condemned or have some structure to be demolished. (No buildings.)
- "Productive" lots, ie. If a structure is able to be rehabbed the property is given to the areas CDC . Those with structures are **not** accepted in the residential land bank.

Process via tax foreclosure:

1. Sheriff's Sale is held three times per year, Feb, May and Sept.

2. Neighborhood planners(CD) and the CDC identify those properties from Sheriff's lists they are interested in, or those that have been incorporated into an existing CDC planning effort.

3. Once properties are identified for intake, an affidavit (bid) is prepared by LB staff; signed by Director of CD and notarized.

4. Once bid is accepted by Sheriff, a commitment is received from Sheriff as to disposition of selected properties.

5. Deeds are then prepared (2 months timing) and sent back to CD for a records check.

6. CD Surveyor then checks each legal description (Steve Salley, 2X/week.)

7. Properties for Intake are entered into the LB Inventory database. The following data is recorded:

    a. Street/address
    b. Lot size
    c. Zoning
    d. Statistical planning area (SPA)
    e. Parcel number
    f. Ward
    g. “Hold”, “Available”, or “Proposer”

This same process occurs through the review of the Auditor’s list, each January:

1. Auditor list is reviewed by Neighborhood Planners/CD and/or interested CDCs.

2. Determine if sites are NonProductive or Productive

3. Letter of bid is prepared by LB/CD

4. Seek out those on the CDC-wish list, and pursue those desirable. May or may not have existing structures on them. (Of 45 reviewed through Auditor list last year, we accepted approx. 20 of these.)

Management:

While properties are held in the LB, property maintenance is performed by the Parks & Recreation Department. This involves

- Lawn/grass cutting
- Trash removal

No marketing occurs for the LB sites.
If a hazard is found on a land bank property, (such as health & safety or environmental contamination) LB will vacate the sale via action of the County Prosecutor, and property is removed from land bank and reverts back to last owner of record. LB does not hold properties with bio or enviro hazards.

Disbursal:

LB properties are disbursed as either Buildable lots or NonBuildable.
Buildable lots are those that meet housing lot standards (40' X 120') or those with small variance are close enough, and are sold to adjacent property owners, and for church or lot expansion. The price of these lots is $100, for housing purposes, or Appraised Market Value, in commercial cases. All buildable lot disbursals require council Ordinance.
Non Buildable lots are those that for various reasons cannot be built upon (eg. due to small size or geotechnical issues,) and do not require an ordinance for disbursal (except in Ward 7.)

Disbursal Process:

1. Application is received from prospective buyer, either an adjacent property owner, or prospective builder/developer; can be anyone interested in parcels, including CDC.

2. Information on prospective site use/owner is entered into existing LB database ("Hold", or "Proposer")

3. LB staff (Redevelopment Coordinators, assigned to group of wards) completes an Information Review sheet on purpose of proposed use (yard expansion, building, etc.) with map as review for CD.

4. Neighborhood Planners (CD) check for verified use and applicability to existing planning efforts.

5. Ward Councilperson approves or denies:

    a. If yes, proposal goes to LB for Ordinance preparation
    b. If No, LB sends a denial letter

6. Ordinance is prepared by LB staff, and Ordinance follows this Administrative Review Process: (this can be a 2-week to a 2-year process)

    a. CD/ED Committee
    b. City Planning Commission
    c. Finance Committee
    d. Back to full Council

e. City record is made of full Ordinance with description.
f. Proposal then goes to Board of Control (meets each Weds.) who authorize sale price on commercial/industrial negotiation, with any environmental adjustment (if applicable). Authorizes final disposition.
g. LB prepares quitclaim deed.
h. Buyer signs and pays
i. Commissioner of Purchasing approves
j. Law Dept. approves (Rich Bertovich)
k. Director of CD preps letter/memo
l. Mayor signs/ notary
m. Notify fees and costs to purchaser ($76-100 recording fee)
n. Recorder records deed (County) Two weeks.

7. Target time frame is 60-120 days; actual can take up to two years.

Gifting

The process of Intake via a gift of land is a simpler process by which a property owner seeks to convey title to a property in lieu of foreclosure (usually for back taxes owed.)

Intake Process for Gift:

1. LB has a limited lien/title search conducted on proposed property, searching primarily for liens, and back taxes owed. The property is only eligible for the LB if there are no liens against the property.

2. CD Neighborhood Planners conduct the entire same due diligence on property as for any other Intake into LB.

3. Property owner submits a signed “Conveyance in Lieu of Foreclosure” form.

4. County Prosecutor uses form to identify taxes owed and what will be forgiven for the conveyance.

5. County Auditor removes back taxes from record.

6. Deed is recorded by LB staff.

7. Finance Dept. provides tax form to property donator for IRS purposes (form SR

8283)

8. No ordinance needed; process takes approximately two weeks.