Neighborhood Responses to the Foreclosure Crisis

- Donna Hunter, City of Columbus; Land Redevelopment Administrator
Background:

Columbus Land Bank

- Established in 1994 under Ohio Revised Code, Section 5722
- The section allows municipalities to adopt a Land Reutilization Program
- Most properties acquired by the City were vacant lots acquired by Tax Foreclosure process. Our program has the authority but not the obligation to tender a minimum bid at a tax foreclosure sale
- However, since the mid-1990s, the program has expanded to receive structures and properties from other acquisition sources:
  1. Donations
  2. Open market purchases
  3. Foreclosures on City Liens
The Land Bank is set up to have discretion in pre-selecting properties to acquire. This flexibility allows the Land Bank to acquire property to:

1. Support a neighborhood/City strategy or initiative;
2. Eliminate blight/acquire property to demolish;
3. Support non-profit housing developers;
4. Assemble land for future redevelopment;
5. Generate revenue for program.

The land bank also has the authority to establish disposition policies that govern sales prices and conditions of sale for property transfers.

The proceeds from the sale of property has gone into our Land Management Fund which has supported operational costs, excluding staff costs, for the last few years.

As a direct recipient of the National Stabilization Program ($22,845,495), Columbus’ plan is to utilize our established Land Bank and the staff’s expertise to acquire property to land bank, sell to housing non-profits and private developers to rehabilitate, and evaluate property for eligibility for NSP funds.
Columbus NSP Plan:

1. **50% AMI FUND**: $5,800,000
   - 1. Homeownership (Habitat)
   - 2. Rental (LIHTC)

2. **ACQUISITION AND DEMOLITION FUND**: $6,510,000
   - 1. Land Bank focus- lead office
   - 2. Acquire property for demolition and redevelopment (both immediate and future)

3. **NEIGHBORHOOD STABILIZATION FUND**: $6,727,912
   - 1. Market Study to help determine areas for investment: Homeownership, rental, acquire and demo, acquire and hold, etc.
   - 2. Areas of greatest need (“the 7 neighborhoods”)

**Goal:**
- Homeownership- 25 units
- Rental- 50 units
- Acquire- 150 units
- Demo- 130 structures
- (note: not necessarily same units due to current inventory and normal acquisitions)
- Neighbors of greatest need - 70 units
Columbus NSP Plan:

50% AMI FUND: $5,800,000

Includes funding for 4 scattered site, lease-purchase projects submitted for the March 19 Tax Credit Deadline

Most of the sites within the application submitted by the nonprofit applicants are optioned from the Land Bank, including:

1. 12 vacant lots (all tax foreclosures);
2. 9 structures for rehab (all tax or mortgage foreclosures)
3. 4 structures for demo and redevelopment (all tax or mortgage foreclosures)
Columbus NSP Plan:

**NEIGHBORHOOD STABILIZATION FUND:** $6,727,912

- Focus on areas of greatest need
- Use Market Study to drive what type of activity to focus and if we should prioritize rental vs homeownership
- Competitive application process
- Possibly prioritize houses in the Land Bank

Process still in planning stage and will ultimately depend on the success of the Land Bank acquisitions and results of the market study
Columbus NSP Plan:

“Areas of Greatest Need”

Map 7
Combination of two HUD Data Sources: Map 1, Estimated Foreclosure and Abandonment Risk, Map 2, Predicted 18m Underlying Foreclosure Rate, and City Vacant Structure Data.

HUD Foreclosure and Abandonment Risk = 10

Predicted 18m foreclosure rate in 75th percentile.

Points represent structures on Vacant Housing List, City of Columbus, Sept., 2008
ACQUISITION AND DEMOLITION FUND: $6,510,000

A. Acquisition- Land Bank is actively acquiring properties that meet the “foreclosed upon” definition- Council approved $3.5 million for this effort. We are targeting areas that have ongoing projects, CDC focus areas, looking at bulk sale and clustering opportunities.

As with any new effort like this, we have experienced challenges.
Map 3

Census Block Groups Eligible for Land Banking Activities

City of Columbus

Areas with 51% of population at or below 120% Area Median Income and quality for Low- Moderate- Middle-Income area benefit

Points represent structures on Vacant Housing List, City of Columbus, Sept., 2008
Acquisition Challenges:

1. Competition with private investors— in Columbus any low priced, decent property sells fast;
2. Scattered inventory— hard to acquire “foreclosed upon” properties in focused manner;
3. Appraisals— when do you enter into contract;
4. Contract terms, including addendums required by REOs;
5. Time required to do other HUD requirements, including Environmental/106 Reviews, managing checks?
6. Finding time to inspect properties

We are still working through these issues, only a handful of properties in contract.
B. Demolition activities

- Land Bank has approximately 35 structures in current inventory to demolish.
- Additional properties through donation and tax foreclosure (non NSP acquisitions);
- Establishing contracts to hire demolition contractors;
- Lots of REO owned properties for demolition to choose from.

Steps in demo process:

1. Determination to acquire for demo; Initial inspection (Yes/No)
2. Section 106 Review;
3. Inspection by Code/Building Department to document “Blight”;
4. Asbestos Survey/sampling required (no exemption);
5. Demo permit– notify adjacent property owners, notify/obtain sign-off from area commission; 45-day wait period.
6. Notice to proceed, etc.
So, what do we do with the properties in cold market?

1. Demolish blighted structures;
2. Gut/stabilize (new roof) those structures that need extensive renovation and are eligible to land bank;
3. Land bank the lots and structures until the market warms

If our market study indicates warm market areas:

1. Acquire strategic properties to sell
2. Work with existing non-profit housing developers to rehab and sell to homebuyer, hold as rental, or lease-purchase
3. Sell properties to for-profit entities to sell to homebuyer or rental
4. Demolish non-strategic and blighted properties
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