

Montgomery County Land Reutilization Corporation (MCLRC)
Board Meeting
October 17, 2017

Attendees: Carolyn Rice, Treasurer (Chair of the Board)
Doug Harnish, Principle, Market Metrics (Vice Chair of the Board)
Debbie Lieberman, Montgomery County Commissioner (Board Member)
Sheila Crane, Realtor/Community Dev. Specialist, HER Realtors (Board Member)
Scott Paulson, Trustee, Washington Township (Board Member)
Mark Willis, Commission Aide to Judy Dodge (Commission Representative)
Mike Grauwelman, MCLRC (Executive Director)
David Williamson, MCLRC (General Counsel)
Judy Zimmerman, Dir. of Finance, Treasurer's Office (Treasurer)
Angela Lilly, Montgomery County Treasurer's Office (Secretary)
Sam Braun, Finance Manager, Montgomery County Auditor's Office
Anita Schmaltz, MVFHC, Fair Housing Analyst

Absent Judy Dodge, Montgomery County Commissioner (Board Member)
(Copies To): Brian Inderrieden, Director of Plan. & Comm. Dev., City of Dayton (Board Member)
John Theobald, Commission Aide to Debbie Lieberman (Commission Representative)

Call to Order

Carolyn Rice, Chair of the Board, noting a quorum, called the meeting to order. A copy of the agenda is attached for reference.

Approval of Minutes

Scott Paulson moved to approve the August 15, 2017 Board meeting minutes. The motion was seconded by Doug Harnish and approved unanimously by voice vote.

Other Business: 2018 Budget Assumptions

The Board reviewed and discussed a draft of the 2018 budget assumptions, which include:

- Declining DTAC Funds
- Increased cost for DIY properties
- Community & economic development
- The Pine View pilot project
- Tax lien sales
- The NCST program
- Expand use of funds for Planning Grant & Residential Loan Programs
- Roll NCST program into Residential Acquisition Program
- Add Commercial Acquisition line item to budget
- Show DIY Program & Pine View Pilot Project as expenses.

- Revenues & expenses

See attached budget assumptions & explanations memo for more details.

Other Business – 2018 Objectives

The Board reviewed and discussed a draft of the 2018 objectives and metrics, which are broken down into strategic, primary, business, and program categories. *See attached objectives-metrics memo for more details.*

Other Business – Monthly Financials

The Board reviewed the MCLRC program expenditures and revenues, including a NIP reimbursement and expenditures summary. The cash balance for September was \$3.7 million.

Announcement

The next board meeting is scheduled for Monday, November 20, 2017.

Call to Adjourn

There being no further business, the meeting was adjourned.

I hereby certify that the minutes related to the Board of Directors' monthly meeting October 17, 2017 set forth above are the minutes approved by the Board of Directors at their meeting of November 20, 2017.

/s/ Angela Lilly

Angela Lilly, Secretary
Montgomery County Land Reutilization
Corporation



Board Meeting Agenda

Montgomery County Land Reutilization Corporation
October 17, 2017 3:30 pm
Montgomery County Treasurer's Office

Call to Order: Chair Carolyn Rice

Roll Call:

Approval of Minutes: August 15, 2017 (Attached)

Old Business:

New Business:

Other Business:

- 2018 Budget Assumptions (See Attachment)
- 2018 Objectives
- Monthly Financials

Next Meeting: **Note Monday November 20, 2017 @ 3:30 pm**

Adjourn

2018 MCLRC Budget

Assumptions & Explanations

Board Working Draft

October 13, 2017

Introduction: The MCLRC continues to develop financial discipline within the organization through the budget process. The has begun to establish a financial history upon which to base its budget, however; there remain numerous uncertainties concerning the eventual role of the organization in addressing the issues that are rooted in blight. This document is intended to provide the Board the basis of the budget and the assumptions contained in its development. The document identifies anticipated revenues and how certain expenses have been treated. It also includes information concerning those areas (program, activity) in which the organization will experience revenues and expenses that are not reflected in the budget as an expense or revenue. The budget is intended to establish a basis of the organization's fixed annual costs, and the revenue that support those costs.

During 2017 a number of changes were recognized in the organizations operating environment. These changes impact the organization in a number of ways that may require adjustments to our operations, programs, and expectations. These changes and adjustments include:

- Many Land Banks reported declining Delinquent Tax Collections in 2017. This change is believed to be the result of an improved economy. Montgomery County receipts for this fund were slightly down for the year as well, but the decline was impactful in other Ohio counties. The organization will need to be mindful of this trend, which could most certainly impact the organization in the future. The loss of NIP funds and the DTAC trend give further importance to the business model developed by the organization, and may require a shuffling of resources and identification of additional financial resources.
- Improved economic conditions and market demand for investment grade rental housing is competing with DIY program property. This is viewed a positive development for the community as a whole, but challenges the quality of property available to the DIY program. Consequently there is increased cost in preparing these structures for market, and increased risk of acquiring properties that are not viable for reuse. Further the timeframe associated with the acquisition of these properties has further accelerated their condition. Collectively these changes threaten the programs ability to be self-sustaining. The budget assumes a loss of \$3,200 per property. The underlying issue for the organization will be determining when it will no longer support these investments to position these properties for reuse, but rather have them demolished. The financial answer to the question could be simply to compare the costs of demolition and DIY related properties. This may provide some insights into the overall health of community and as an annual program metric.
- The development of the organizations role in community and economic development took another step forward this year with the integration of efforts involving HUD

Community Choice planning effort led by City Wide Development. The effort remains a learning experience for the organizations as roles, responsibilities, communication structures, and cultures attempt to assimilate. There may be an opportunity to further these relationships and bring new resources and capabilities to Land Bank / community development efforts. The expanded use of the planning grant program may be the means to support this integration. Continued evaluation of these efforts may lead to capabilities that are not present in current community development organizations. If this is the case, it will be necessary to evaluate the matter further.

- The Pine View pilot project is developing into the next generation neighborhood revitalization effort for the organization. Much has and is being learned through this pilot that may impact how existing resources and programs are structured. In addition to the planning grant referenced above, another underutilized program has been the Community Residential Loan program. The model that is being developed in Pine View contains as an objective increasing property values. The tactic that has been identified to achieve this involves a limited Land Bank role in renovation including financing the improvements to establish new sales comparisons. This may be financed by the Loan Program. To support the effort the redevelopment model involves establishing as much control over available properties in the neighborhood as possible. This approach serves to discourage speculation and / or the introduction of irresponsible ownership, and positions the Land Bank for any bounce that may occur to recapture its sunk investments.
- Tax lien sales have historically provided a means for the Treasurer's Office to collect tax revenues for delinquent properties. This approach increased the organizations ability to collect taxes utilizing means other than the foreclosure process. The organization has continued to grow these efforts with additional investors in recent years leveraging private sector investment interest. Recently the primary purchaser of these liens has shown a significant decline in its interest in these properties. This may be the result of alternative investment opportunities, and /or changes in the tax delinquent portfolio being offered. If there continues to be weak interest in these properties, it is possible that a role in tax lien sales may evolve that could satisfy both tax collection and community stabilization objectives. The commercial pilot approved earlier this year is an illustration of how this activity can be mutually beneficial to both organizations. The budget anticipates funds being allocated to support this opportunity with a pro-active commercial program.
- The NCST program has proven to create as many challenges as it has opportunities to our efforts. The underlying premise of this program was to offer "discounted properties" to community development organizations. Although we have identified and purchased some properties that are a value, the cost of identifying these is significant. Further the risk of acquiring a troubled property is even greater. Although we continue to work with the organization, it is foreseen as a far less reliable and risky property source.

As a result of the changes in the operating environment and an interest in moving further into a pro-active operating mode the following modifications have been made to the budget for 2018.

- Planning Grant Program will be extended to allow for expanded use of funds. Specifically to allow for the funds to be devoted to neighborhood planning efforts in conjunction with the Land Bank and under Land Bank control.
- Residential Loan Program will be extended to allow for the organization's use of funds. Specifically to allow the funds to be devoted to neighborhood redevelopment efforts in conjunction with other Land Bank efforts. The budgeted amount is intended to provide a not to exceed an amount for assets being held at any given time.
- NCST program will no longer stand alone, but will be identified as "Residential Acquisition" and shown as a pool of funds. The name alteration is intended to allow for the expanded use of the funds enabling the purchase of strategic properties associated with other Land Bank efforts. The budgeted amount is intended to provide the Executive Director a not to exceed pool of funds for residential assets.
- To support a proactive approach for commercial properties a pool of funds identified as "Commercial Acquisition" will be shown in the budget. The line item is intended to provide a not to exceed pool of funds for the Executive Director to purchase commercial properties associated with Land Bank efforts.
- The Do It Yourself Program is being show for the first time as it is anticipated to operate at a loss.
- The Pine View Pilot Project is shown as an expense to reflect that loss associated with the Land Bank investment in the neighborhood.

Revenues

- DTAC
 - 2018 Receipts Anticipated:\$1.2M
 - 2017 DTAC Income: \$1.688M
 - 2016 DTAC Income: \$1.797M
 - 2015 DTAC Income: \$1.756M
 - 2014 DTAC Income: \$1.643M
 - 2013 DTAC Income: \$1.298M
 - Receive 65% in May and 35% in Oct
- Income may be derived from the following programs, but revenues are not included in the budget. They are assumed that revenues will offset expenses. This is to provide clarity in the budget and remove estimates in demand.
 - Tax Foreclosure Acquisition
 - Commercial Redevelopment
 - Commercial Acquisition

- Residential Acquisition
- Land Banking
- NIP

- Cash Flow
 - Cash Flow supported by prior year(s) cash balances and County Corp Loan

 - Programs / Projects that impact cash flow, but are considered budget neutral include:
 - \$200k Commercial Acquisition
 - \$150k Residential Acquisition
 - \$200k Residential Loan
 - \$4-5M NIP
 - \$150k Tax Foreclosure Acquisition
 - \$50k Land Banking

Expenses

- Programs / Projects budgeted to support the following:
 - \$200k Planning Grant, 4 grants @ \$50k
 - \$250k Pine View Project
 - \$75k Do It Yourself Renovation
 - \$100k Project 9
 - \$100k Program Demolitions

- Expenses will occur from the following programs, but are not included in the budget. It is assumed that revenues will offset expenses. This is to provide clarity in the budget and remove estimates in demand.
 - Tax Foreclosure Acquisition
 - Commercial Redevelopment
 - Commercial Acquisition
 - Residential Acquisition
 - Land Banking
 - NIP

- Program Property Ownership Costs not budgeted include:
 - Security and Boarding, Facility Maintenance, Lawn and landscape, Utilities, Assessments, Insurance, etc.

- Personnel
 - Salary increases at 3%
 - Health Insurance increase at 15%
 - Office furniture and equipment
 - No Office Modification or Moving Costs

Description of Expense Categories

- Hosting (under agreement with County Corp)
 - Space Office
 - IT Support, Phone
 - Personnel / Benefits Mgmt.
 - Office Equipment Use

- Consulting funds (appraisal, title work, legal, and demolition) have been budgeted to allow for deal exploration and regular operations.
 - Legal: General, Real Estate, Environmental
 - Marketing: Communications Plan
 - Title and Appraisals
 - Arch and Engineering
 - Audit and Financial Services
 - Real Estate Consulting

2018 OBJECTIVES AND METRICS

Board Draft

October 13, 2017

Introduction: The following objectives and metrics are intended to provide direction and a means to measure the results of the organization's progress on an annual basis. These objectives are based upon the organization's mission and the strategic operating construct provided below.

The mission of the Montgomery County Land Reutilization Corporation is to facilitate the transition of blighted, foreclosed, and abandoned properties into viable, marketable properties by working collaboratively with public and private entities in a financially responsible, transparent manner with a long term goal of returning these properties to the tax roll.

The organization's mission related goals are to support Montgomery County citizens and community's community and economic development aspirations, preservation of community wealth, and improve the quality of life. Land Bank programs and projects accomplish this by stacking investments and coordinating tactics comprehensively:

1. Seeking creative solutions to real estate issues.
2. Acquiring distressed properties using Tax Foreclosure, Deed in Lieu of Taxes, Tax lien sales and donation.
3. Demolishing blighted properties.
 - a. Returning balance to market supply and demand.
4. Eliminating barriers (financial, title) that prevent a property's reuse.
 - a. Repositioning and conveying distressed properties.
5. Generate tax revenues via responsible owner's reuse of properties.
6. Assembling and banking properties for redevelopment.
7. Returning consumer / market confidence to targeted neighborhoods.
8. Encouraging and conducting strategic planning.
 - a. Aligning its programs and projects with community goals and objectives.
9. Aligning community organizations and resources into comprehensive strategies.

The organization's business strategies are to:

1. Operate programs that are self-sustaining.
2. Leverage its resources strategically.
3. Enable private sector investment.
4. Acquire and leverage public investment.

The organization’s business strategies and tactics include:

1. Charging fee for service to offset expenses.
2. Leverage foreclosure as a means to increase tax collections.

The organization’s focus in 2018 will be to begin to make resource and program adjustments to account for changes in the operating environment, and continue to develop the strategic planning and data initiatives to better guide future efforts.

STRATEGIC OBJECTIVES

- **FURTHER DEVELOP MCLRC’S ROLE IN:**
 - COMMUNITY AND ECONOMIC DEVELOPMENT
 - ✓ COMPREHENSIVE NEIGHBORHOOD REVITALIZATION
 - ✓ COMMERCIAL REVITALIZATION / REDEVELOPMENT
 - ✓ BROWNFIELDS REDEVELOPMENT
 - ✓ SOLVING TROUBLED REAL ESTATE PROBLEMS
 - **STRATEGIC PLANNING**
 - IMPROVE PROGRAM / RESOURCE STRATEGIC USE
 - ✓ DEFINE ORGANIZATION AND PROGRAM DATA NEEDS
 - FRAME THE MAGNITUDE OF THE PROBLEMS EXAMPLES INCLUDE:
 - DIY: TARGET NEIGHBORHOODS AND NUMBER OF UNITS
 - COMMERCIAL REDEVELOPMENT: NUMBER, LOCATION OF BROWNFIELD SITES
 - TFAP: NUMBER OF VIABLE AND AVAILABLE UNITS
- **DEVELOP POLICY FRAMEWORK / PRACTICES TO BALANCE COMPETING OBJECTIVES**
 - ECONOMIC DEVELOPMENT
 - LAND BANK REINVESTMENT REVENUES
- **IDENTIFY A PILOT PROGRAM TO FILL GAPS IN NEIGHBORHOOD NEEDS**
 - EVALUATE OUR ABILITY TO IMPACT HISTORIC NEIGHBORHOODS / AREA
 - ✓ ONE NEW PILOT

PRIMARY OBJECTIVES

- **COMMUNITY BASED STRATEGIC PLANNING (LAND BANK / COMMUNITY FOCUS)**
 - ✓ PROMOTE PLANNING GRANT
 - ✓ PROMOTE REPLICATION OF STRATEGIES / TACTICS
 - ✓ DETERMINE IF THE PLANNING GRANT MODEL SHOULD BE ALTERED

- **FORECLOSURE PROPERTY UTILITY BILL AND TAX BILLING**
(Tax foreclosed properties often continue to receive delinquent notices for taxes)
 - ✓ WORK WITH PROVIDERS TO ELIMINATE THIS TIME CONSUMING ISSUE

- **IDENTIFY HOW PROGRAMS CAN BE LEVERAGED TO IMPROVE IMPACT.**
 - ✓ IDENTIFY PARTNERING OPPORTUNITIES
 - ✓ DEVELOP A MODEL
 - ✓ EXECUTE INFORMAL / FORMAL PARTNERING ARRANGEMENTS

- **IDENTIFY MEANS TO AND PROVIDE GREATER PROGRAM SUPPORT TO 1 DISADVANTAGED POPULATION GROUP.**
(Are their segments of the population that have specific real estate needs that Land Bank programs can provide?)
 - ✓ IDENTIFY PARTNERING OPPORTUNITIES
 - ✓ DEVELOP A MODEL

Business Objectives

- **OPERATIONS**
 - **REVIEW ORGANIZATIONAL AUTHORITIES**
 - ✓ PROGRAMMATIC (BANKING)
 - ✓ FINANCIAL TO SUPPORT PROPERTY ACQUISITIONS

- **FINANCIAL**
 - **REVENUES**
 - ✓ GENERATE PROGRAM INCOME TO OFFSET EXPENSES

 - **MANAGE PROGRAM FINANCIAL RISK**
 - ✓ MANAGE PROGRAM RISK TO BUDGET
 - TFAP NO MORE THAN 5 TRANSFER FAILURES (DEMOLITIONS)
 - DIY NO MORE THAN 2 TRANSFER FAILURES

- **MARKETING**
 - **INCREASE MARKET AND BRAND AWARENESS**
 - ✓ IMPLEMENT THE COMMUNICATION PLAN

PROGRAM OBJECTIVES

- **EVALUATE PROGRAMS EFFECTIVENESS**
 - MEASURE QUANTITATIVE AND QUALITATIVE EFFECTIVENESS
 - ✓ DIY: 40 PROPERTIES TRANSFERRED VS EXPENSE
 - ✓ TFAP: 20 PROPERTIES PROCESSED
 - ✓ LAND BANKING: MAINTAIN CURRENT AGREEMENTS / 0 NEW AGREEMENTS
 - ✓ PLANNING GRANT: 4 NEW GRANTS
 - ✓ COMMUNITY LOANS: 3 NEW LOANS
 - ✓ PINE VIEW PILOT PROJECT LAUNCHED
 - ✓ COMMERCIAL REDEVELOPMENT APPLICATIONS: 2 PROJECTS
 - ✓ COMMERCIAL ACQUISITION PILOT LAUNCHED
 - CAPITALIZATION, TURN AROUND, REVENUES & EXPENSES
 - REAL ESTATE TAX RETURN
 - ECONOMIC DEVELOPMENT
 - ✓ RESIDENTIAL ACQUISITION USAGE
 - CAPITALIZATION, TURN AROUND, REVENUES & EXPENSES

- **IMPLEMENT NIP**
 - COMPLETE THE ACQUISITION, REMEDIATION PROPERTIES ACCORDING TO SCHEDULE
 - MANAGE MCLRC CASH FLOW TO LOAN AMOUNT
 - RECAPTURE PROGRAM UNALLOWABLE COSTS
 - MEET NIP MILESTONES