Montgomery County Land Reutilization Corporation (MCLRC)
January Board Meeting
January 15, 2013

Attendees: Carolyn Rice, Treasurer (Chair of the Board)
Nan Whaley, City of Dayton Commissioner (Board Member)
Dale Berry, Pres. Washington Twp. Board of Trustees (Board Member)
Doug Harnish, Principle Market Metrics (Board Member)
Paul Robinson, Chief Deputy Treasurer, Treasurer's Office (Treasurer)
Maggie Carper, Assistant Prosecuting Attorney, Prosecutor's Office
John Theobald, Commission Aide to Debbie Lieberman (Commission Representative)
Sam Braun, Finance Manager, Auditor's Office
Cathy Startzman, Commission Aide to Judy Dodge (Commission Representative)
Angela Lilly, Treasurer's Office (Secretary)
Anita Smultz, MVFHC, Fair Housing Analyst

Absent (Copies To): Judy Dodge, Montgomery County Commissioner (Board Member)
Debbie Lieberman, Montgomery County Commissioner (Board Member)
Mathias Heck, Prosecutor (Board Member)
Doug Trout, Assistant Prosecuting Attorney, Prosecutor's Office
John Cumming, Chief of Civil Division, Prosecutor's Office

Call to Order

Carolyn Rice, Chair of the Board, noting a quorum, called the meeting to order at 3:30 p.m. A copy of the agenda is attached for reference.

Order of Business - Approval of Minutes

Dale Berry moved to approve the December 18, 2012 meeting minutes. The motion was seconded by Doug Harnish and approved unanimously by voice vote.

Order of Business – Treasurer's Report

Paul Robinson reported the MCLRC account has a balance of $75,622.50. The difference from last month is the $2,000 paid to Chubb Insurance for Director's & Officer's Employment policy and $10,500 related to the Dayton Electro Plate court costs, which will be reimbursed eventually by Mr. Heitz, but for now is an expense. Nan Whaley moved to approve the Treasurer's Report. The motion was seconded by Dale Berry and approved unanimously by voice vote.

Order of Business – Update of MCLRC's Permanent Funding Proposal

Carolyn Rice reviewed the list of items that the commission would like to be addressed. Carolyn offered the mission statement, as well as the goals & objectives that were developed last year. For the operating plan and budget, a comparable land bank was studied and their budget plan was modified to reflect the numbers for Montgomery County, which includes the Treasurer's DTAC pledge. Finally, we need to establish a date in order to present the information to the Commissioners.

Start Up Activities - Operational Tasks

We are in the process of having a MOU in place with West Carrollton.

Old Business (Update) – Moving Ohio Forward Program

The first reimbursement has gone through for Harrison Township. There are still many counties who have not submitted their first reimbursement. City of Dayton’s goal is to tear down 2 ½ homes per day, using five demolition companies.

New Business – Research Project for US Treasury: The Case for Demolition: Less About Destruction, More About Growth

Jim Rokakis of Thriving Communities Institute has asked the MCLRC to contribute $5000 towards a research project in order to gain access to more funds for demolition (see attached). Nan Whaley moved to approve the contribution of $5000 towards the research project. The motion was seconded by Doug Harnish and approved unanimously by voice vote.

Announcement

A groundbreaking is scheduled for the site formerly known as Dayton Electroplate tomorrow, Wednesday, January 16, 2013 for those that wish to attend.

The next board meeting is scheduled for Tuesday, February 19, 2013.

Call to Adjourn

There being no further business, the meeting was adjourned.

Montgomery County Land Reutilization Corporation (MCLRC)
Board Meeting Agenda
Tuesday January 15, 2013

Welcome: Treasurer Carolyn Rice

Roll Call

Approval of Minutes

Treasurer's Report

Update: Proposal for MCLRC's Permanent Funding (Rice)

Start Up Activities:

- Administrative Tasks
  - Legal counsel
  - Staffing and space
  - Business plan with preliminary metrics
  - System for statutory compliance- in place
  - Procedures for conveyance fees, deed filing fees, removal of LRC properties from duplicate and property exemption- in place
- Operational Tasks
  - Protocols for land acquisition and demolition- *MCLRC Priorities and Policies (approved January 17, 2012)*
  - Property insurance needs- in place
  - MOUs – Dayton, Trotwood, Riverside, Harrison Twp, and Kettering in place; West Carrollton in process
  - Accounting/property tracking system- in place
  - Website

Old Business-- Moving Ohio Forward Program Update
VAPAC & Community Database (2013)

New Business- Research Project for US Treasury: *The Case for Demolition: Less About Destruction, More About Growth*

Announcements- *City of Dayton Demolition Groundbreaking for Dayton Electroplate, Wed Jan 16 @ 3:00 pm, 1030 Valley Street*

Next Meeting: Tuesday, February 19 @ 3:30 pm

Adjourn

Project Title: The Case for Demolition: Less About Destruction, More About Growth

Research Project Description

Vacancy's Effect on the Local and National Economy

There is considerable research showing home values depreciate in relation to their proximity to a vacant structure. This is called a "disamenity" effect, much like housing values appreciate in relation to how close it is to a given amenity so too can houses depreciate depending on the proximity to a perceived negative.

Demolition as an Intervention for Economic Growth

Demolition, or strategic demolition of residential problem properties, is the removal of a disamenity, with the rationale being that the removal of blight will neutralize disamenity effects on nearby home values. Demolition also reduces the glut of houses on the market, thus inhibiting the over-supply and negative demand effect. Yet while demolition as a stabilization method is not new, examining the effects of demolition on the real estate market is largely absent in urban policy literature.

One study that did examine the issue focused on Genesee County in Michigan, the home of Flint. In it, Griswold and Norris (2007) examine the Genesee County Land Bank's residential demolition program that focused on tax-foreclosed and blighted structures. Particularly, the researchers asked whether the benefits of publicly-funded demolition exceeded the costs. The answer, in a word: yes.

The researchers found that the land bank spent roughly $3.5 million on strategic demolition of abandoned residential structures between 2002 and 2005. Ultimately, not only was the vacant structure removed, but so was the devaluating disamenity effect, with the researchers calculating value retention at $112 million for all homes in proximity to the abatement of residential abandonment. Thus, return on the $3.5 million investment proved to be a net benefit in excess of $109 million.

Research Design

The study will focus on two research questions:

1. What is the economic impact of public investments in strategically demolishing "residential problem properties" in Cuyahoga County, Ohio; and
2. Do demolition programs focused on "residential problem properties" impact the mortgage foreclosure rate in the surrounding neighborhood environment?

The first testable research hypothesis, *Question 1*, is that an additional vacant lot or abandoned structure within a given distance from properties that sell has a significant impact on the values of those properties, all else equal. The null hypothesis is that no relationship exists between problem properties and the value of residential houses that sell in close proximity to them. Results from econometric tests of these hypotheses will provide useful information about how abandoned structures and vacant lots affect a city financially, and therefore allow measurement of the economic performance and impact of urban residential demolition practices.

The second testable hypothesis, *Question 2,* is that the demolition of "residential problem properties" has a significant impact on the localized foreclosure rates of performing mortgages. The null hypothesis is that no significant relationship exists between the demolition of residential problem properties and impacts on neighborhood foreclosure rates. Results from econometric tests of this hypothesis will provide insight and empirical evidence into the causal relationship between demolition investments and fluctuations in residential foreclosure rates. This information will be useful in efforts to strategically target public dollars to hedge real estate losses related to the national mortgage foreclosure crisis.

Methodology

Hedonic Model (Question 1)

Based on the hedonic theory, the locus of supply and demand is a price made up of the attributes of a good. Therefore, the dependent variable in a hedonic model must be the price of a good sold in perfect competition. In terms of residential housing, the dependent variable is sales price in an "arms length" sale. Independent variables fall into two main categories: 1) the physical attributes of the residential property purchased, and, 2) neighborhood and location oriented variables that explain the environment surrounding the residential property that was purchased.

Therefore, data needs are as follows:

a. *Dependent Variable*
    i. We need all good arms length residential property sales data as far back as possible that is consistent with all physical and environmental independent variable limitations.

b. *Independent Variables*
    i. Physical attributes of all residential properties sold at arms length.
    ii. Neighborhood and locational environmental attributes associated with each arms length sale.

c. *Running Counterfactual to Estimate Value of Demolition to Cuyahoga/Cleveland:*
    i. All of the independent variables from the hedonic model that are associated with every residential structure within 500, 1,000 and1,500 feet of the demo site
    ii. Use coefficients from final Hedonic Model to estimate respective value of each demolition in terms of impacts on nearby housing values

Mortgage Foreclosure Model (Question 2)

A clear understanding of the conceptual framework of the Mortgage Foreclosure Model (MFM) is critical to gain insight into the nature of the data gathering and processing needs to build the final matrix to run the independent MFMs. Generally speaking, the goal of the MFM is to provide empirical evidence that isolates the relationship between localized demolition activity and localized fluctuations in the mortgage foreclosure rate. The MFM is a time-series approach, initially taking the GIS location (Parcel ID #) of a known demolition and measuring the mortgage foreclosure rate surrounding the demo site during that time period at a given distance. This localized mortgage foreclosure rate surrounding a demolition is the dependent variable during time period zero and is to be explained by several corresponding explanatory variables relevant to time period zero.

Generally speaking, the localized residential environment both before and after the physical demolition is of interest because it offers fluctuations in the mortgage foreclosure rate to occur. Therefore, the localized mortgage foreclosure rate that surrounds the demo site will be measured both before and after the demolition in several time periods. These different dependent variable measurements will call for consistent updates in all corresponding explanatory variables. This also means the MFMs must be truncated on either end of the time spectrum for each demolition, therefore meaning the availability of quality historic demo and mortgage foreclosure data will define the extent of the model.

The explanatory variables are designed to explain fluctuations in a localized mortgage foreclosure rate. Several macro-level variables will be identified such as GDP, unemployment, national foreclosure rate, while others such as crime and market saturation will be measured in a more localized fashion, offering further insight into the determinants of fluctuations in localized mortgage foreclosure rates. Several variables of interest will be spatially measured similarly as in the Hedonic Model – i.e. demolition density variables surrounding the localized mortgage foreclosure rate.

a. *Dependent Variable data processing needs:*
    i. Geographic identifier for every demolition and mortgage foreclosure on record as far back in time and as close to the present as possible.
    ii. GIS estimates of the foreclosure rate surrounding each demo site both before and after the physical demolition at several chosen distance and time increments.
b. *Independent Variable Processing for MFMs:*
    i. Perform literature review to identify what the mortgage foreclosure literature identifies as critical macro-level inputs to a complete understanding of fluctuations in the mortgage foreclosure rate.
    ii. The variables of interest will be the density of demolitions and other localized environmental variables that surround a demo site.

Anticipated Research Outcomes

The objective research process will attempt to give a discrete value to demolition's effect on (1) neighboring property values, and (2) the likelihood of preventing future foreclosures. Specifically the research will provide empirical insight into the relationship between demolition and changes in mortgage foreclosure rates and home equity. If empirical evidence strongly points to demolition as an effective abatement strategy for increased home equity and decreased mortgage foreclosure rates, the implications for federal funding of strategic demolition programs are very important.

Policy Need

The foreclosure crisis left behind vacant and abandoned properties in cities throughout the country. In Ohio alone an estimated 100,000 neglected and abandoned houses must be razed. Demolition funding at both the Federal and State level is critical to remove the blight in our cities.

Our current focus is to educate U.S. Department of the Treasury officials dealing with housing issues in their areas of responsibility including Under Secretary Donet Graves; Michael Stegman, Counselor to the Housing Secretary for Housing Finance; and David Dworkin, Housing Policy Advisor. We will also focus our educational efforts on officials at the U.S. Department of Housing and Urban Development, Congressional staff and State officials.

We hope to utilize this research to inform programs such as the Hardest Hit Fund, currently restricted to programs assisting unemployed homeowners remain in their homes and to those who owe more than their homes are worth, and the Trouble Asset Relief Fund (TARP) which currently focuses on the purchase of troubled assets from financial institutions impacted by the housing crisis of 2008, about the correlation of demolition and mortgage foreclosures.

When completed, this study will be presented to the U. S. Treasury Department. Discussions have already taken place with the U. S. Treasury Department about making TARP funds available throughout the United States for demolition. In addition, we seek to make a portion of the allocations to the eighteen states qualifying for Hardest Hit Funds, which must be utilized by 2017, available for demolition.