

Montgomery County Land Reutilization Corporation (MCLRC)
Board Meeting
August 15, 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)
Judy Dodge, Montgomery County Commissioner (Board Member)
Sheila Crane, Realtor/Community Dev. Specialist, HER Realtors (Board Member)
Brian Inderrieden, Director of Planning & Comm. Dev., City of Dayton (Board Member)
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)
Susan Considine, MCLRC (Program Manager)
Anita Schmaltz, MVFHC, Fair Housing Analyst

Absent (Copies To): Scott Paulson, Trustee, Washington Township (Board Member)
John Theobald, Commission Aide to Debbie Lieberman (Commission Representative)
Mark Willis, Commission Aide to Judy Dodge (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

Sheila Crane moved to approve the July 18, 2017 Board meeting minutes. The motion was seconded by Brian Inderrieden and approved unanimously by voice vote.

Old Business: Item No. 1: Commercial Redevelopment Program – 5042 Free Pike

5042 Free Pike is a property located in Trotwood and at one time may have been a repair shop or car wash. The property is valued at \$52,440 and is tax delinquent \$5,779. Mr. Edwin Swann is an entrepreneur interested in acquiring the property to use as a restaurant/cafeteria or jazz coffee shop. He has limited personal sources to finance the project; however, the alternative to supporting this project is to risk letting the property continue to deteriorate. The Board elected to table this item at its July 18, 2017 meeting pending verification that the City of Trotwood was in support of the request given certain downside risks. Staff confirmed that in conversations with the City, the risks associated with the application were understood including the zoning/land use issues. Debbie Lieberman moved to approve the Commercial Redevelopment Program application. The motion was seconded by Sheila Crane and approved unanimously by voice vote. *See attached Board memo for additional details.*

Other Business – Neighborhood Homes Tax Credit

The Neighborhood Homes Tax Credit (NHTC) is a legislative initiative at the federal level advocated by the Greater Ohio Policy Center. The issue at hand is the gap that exists in neighborhoods where property values are unable to support renovation or new construction costs. The tax credit would cover the gap between the appraised value and developments costs and would work similar to Low Income Housing Tax Credit (LIHTC) and New Markets Tax Credit (NMTC). The program would be allocated by the State of Ohio and be administered locally. The targets are distressed neighborhoods at low-moderate income level. The Land Bank indicated its support of the initiative to the Greater Ohio Policy Center. *See attached program description and support letter for additional 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 July was \$4,346,573.00

Other Business –Program Briefing

Mike Grauwelman provided an update on the NIP program and reviewed the NIP milestones. Year to date the Land Bank has acquired 818 properties. The total number of properties acquired is actually 841; however, twenty three properties were pulled from the program and transferred to new owners. Environmental surveys have been awarded for 814 properties, remediation contracts have been awarded for 477 properties, and demolition contracts awarded for 492 properties. Some challenges have arisen with some of the demolition contractors in terms of capacity. Thirty-nine of the NIP lots have been transferred to the adjacent property owners.

Other Business – Contracting Support

Masonry work continues on the building at 225 S. Main Street in order to ensure public safety.

In addition to the Pineview Neighborhood Project, the Land Bank has been asked to participate in the Madden Hills Project. Mike Grauwelman made a request to the City of Dayton to match the Land Bank's \$250,000 commitment.

Announcement

The next board meeting is scheduled for Tuesday, September 19, 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 August 15, 2017 set forth above are the minutes approved by the Board of Directors at their meeting of October 17, 2017.

/s/ Angela Lilly

Angela Lilly, Secretary
Montgomery County Land Reutilization
Corporation



Board Meeting Agenda

Montgomery County Land Reutilization Corporation

August 16, 2017 3:30 pm

Montgomery County Treasurer's Office

Call to Order: Chair Carolyn Rice

Roll Call:

Approval of Minutes: July 18, 2017 (Attached)

Old Business:

- **Item No. 1: Commercial Redevelopment Program – 5042 Free Pike (See Attached)**
 - **Presentation and Discussion**
 - **Motion to Approve**

New Business:

Other Business:

- **Neighborhood Homes Tax Credit (See Attachment)**
- **Monthly Financials**
- **Program Briefing**
- **Contracting Support**

Next Meeting: September 19, 2017 @ 3:30 pm

Adjourn

To: MCLRC Board of Directors
From: Mike Grauwelman Executive Director
Subject: August Agenda
Date: August 11, 2017



Old Business

- **Item No. 1: Commercial Redevelopment Program – 5042 Free Pike**

Steering Committee Recommendation: Approval

Staff Recommendation: Approval

Board Action: Tabled at July Meeting

Action on this item was tabled by the Board at its July 2017 meeting. Background information (as provided in the July memo) concerning the request is provided below. The Board elected to table the item pending verification that the City of Trotwood was in support of the request given certain down side risks. Staff has confirmed that in conversations with the City that the risks associated with the application were understood including the zoning / land use issues.

Background: Applicant intends to renovate the property as a restaurant, cafeteria, and / or bar. The applicant recently indicated his intentions to use the property as a jazz coffee shop. The property contains a block structure of approximately 3,350 square feet built in 1958 located on a lot of approximately 17,000 square feet.

The property is tax delinquent \$5,779, and has a value of \$52,440 according to the Auditor's page. Numerous liens and title defects are present on the property. The judgments on the property are held by the State of Ohio and are in excess of \$300,000. The two most recent deeds in the chain of title are defective. The deed to the current owner has a defective acknowledgment. Also, there is a question about whether the grantor under that deed – Gina, Inc., an Ohio corporation – was ever incorporated in Ohio. Also, the deed before that is defective because it doesn't state the grantor's marital status. If he is married, his wife needed to sign the deed to release her dower rights.

The property is not currently zoned for the proposed use. The applicant has spoken to the City of Trotwood about his intentions. The City of Trotwood has no apparent objection to the transaction, and has indicated that it supports the request.

The applicant has been vetted and is considered a responsible party as provided in the application. In determining the viability of the proposal the applicants experience and financial capacity were briefly evaluated. The applicant has indicated that he has managed a restaurant, and has experience in renovation. Despite these experiences there are concerns about the success of the project. These concerns emanate from the applicant's

lack of experience as an owner operator, and the financial capacity and / or support available to the venture. The project is being financed strictly from limited personal sources, and leveraging personal knowledge to make facility improvements. It should be noted that the extent of this knowledge / capability is unknown as is the extent to which improvements will need to be made to the facility. (Access is prohibited to a privately owned property.) No effort was made to try to determine the market viability of the proposed use. Therefore, in developing a recommendation, the request was viewed weighing potential outcomes. The property is viewed as marginal and has numerous encumbrances that will render it vacant for an extended period of time. It is anticipated that it will continue to fall into a continuing state of disrepair if not for a venture such as that being proposed. If not for the support of the Land Bank for the application, and the willingness of the applicant to make an investment, the property is likely to fall into a state of disrepair and will ultimately need to be demolished. The applicant's request under these circumstances appears to be the best opportunity for all concerned.

A recommendation of approval of the request is recommended.

NEIGHBORHOOD HOMES TAX CREDIT

A new Neighborhood Homes Tax Credit (NHTC) would help revitalize distressed neighborhoods across the nation by mobilizing private investment to build and rehabilitate homes for moderate- and middle-income homeowners.

Distressed neighborhoods in every state present a fundamental challenge to addressing poverty, crime, education, and economic mobility. Moderate- and middle-income families are essential to the social fabric and economic vitality of these neighborhoods, but many homes in distressed neighborhoods are too deteriorated or antiquated to attract and retain middle-income homeowners. These neighborhoods are trapped in a cycle where property values are too low to support home construction and renovation, while the absence of quality homes keeps property values unsustainably low. The NHTC would break this cycle by bridging the gap between the cost of developing owner-occupied homes in distressed neighborhoods and their appraised value.

The NHTC is modeled on the Low Income Housing Tax Credit (LIHTC) and the New Markets Tax Credit (NMTC), but no current tax incentive can address this challenge. The LIHTC and NMTC work well in distressed neighborhoods for affordable rental housing and economic development, respectively, but they are not designed to build and rehabilitate owner-occupied homes. Tax-exempt private activity bonds and mortgage credit certificates (MCCs) do support homebuyers by reducing mortgage interest costs but these incentives cannot fill the gap between development costs and appraised home values. The NHTC could be structured to give states the same flexibility to exchange tax-exempt bond authority for NHTCs that they already have for MCCs. An earlier version of the NHTC, proposed by President George W. Bush, had bipartisan sponsorship from 46 Senators and 304 Representatives in 2004 (108th Congress, S. 875 and H.R. 839).

Key Elements

State Control

- NHTC could be structured as an optional use of state tax-exempt mortgage bond authority
- States administer and allocate NHTC authority on a competitive basis
- Federal role is limited to IRS compliance monitoring

Attraction of Private Capital

- NHTC Managers raise capital from investors to finance or conduct construction/renovation
- NHTC covers up to 35% of eligible development costs

Market Discipline

- Investors bear construction and marketing risks
- Investors claim the tax credits only after construction, inspection, and owner-occupancy

Targeted and Limited

- Neighborhoods with elevated poverty, lower incomes, and modest home values, but not those undergoing gentrification
- Homeowner incomes: At least 90% with incomes below 140% of the area/state median. At least 10% with incomes below 80% of the area/state median.

- Creditable costs limited to the national median home price (\$222,000 in 2015).
- Home sales prices limited to four times the area or state median family income.
- Partial recapture if homeowner sells or rents out the home within five years

How the NHTC Would Work

1. States allocate NHTCs on a competitive basis to NHTC Managers

- NHTC Managers would be developers, lenders, and local governments
- Allocation criteria would include: NHTC Manager capability; neighborhood revitalization strategy and impact; local and neighborhood support; likely long-term homeownership sustainability; and any State-determined criteria
- States establish construction quality standards and protocols
- States allocate only the tax credits reasonably needed for financial feasibility

2. NHTC Managers raise capital from investors and use it to finance home construction and substantial rehabilitation.

- NHTC Managers make loans to builders / homeowners or develop the homes directly
- Tax credit equals 35% of construction, rehabilitation, and building acquisition cost

3. Investors claim NHTCs after homes are completed, inspected, and owner-occupied.

- NHTC pays only for success. Investors bear construction and marketing risks.
- Homeowners obtain mortgages and make down payments to cover the homes' appraised value. The tax credit covers the gap between the appraised value and development costs.

NHTC Financing Example

Land	\$ 20,000
Construction	160,000
Total Development Cost	\$180,000
Less: Sales Price (at Appraised Value)	- \$130,000
Financing Gap / "Appraisal Gap"	\$50,000
NHTC investment (up to 35% of \$160,000)	\$56,000

Estimated Impact

Based on the financing example above, each \$1 billion in NHTCs would generate:

- ❖ 17,857 homes built or rehabilitated
- ❖ \$3.2 billion of total development activity
- ❖ 25,255 jobs in construction and construction-related industries
- ❖ \$1.4 billion in wages and salaries
- ❖ \$943 million in federal, state, and local tax revenues and fees

August 1, 2017

Dear Senator Portman,

We are Ohio organizations deeply involved in stabilizing struggling neighborhoods, cities and towns. We sincerely appreciate the leadership you have shown in this area, as evidenced by your support for the Hardest Hit Fund, Low Income Housing Tax Credits, and New Markets Tax Credits, all of which are helping our communities.

We are writing to enlist your leadership once again. As you know well, many once-thriving communities in Ohio – as in multiple other states – are fighting a downward spiral caused by blighted homes. Rehabilitating or replacing these homes for ownership by working families is not feasible, because the cost of doing so exceeds the homes' market value upon completion. And as these homes deteriorate further, the amount of resources needed to bridge the gap between construction costs and market value only grows. This problem also impacts the broader stability of distressed neighborhoods, cities, and towns, because it limits their ability to retain and attract the working families essential for communities to thrive again.

Current tax incentives are not designed to address this problem.

In 2003, you and then-Rep. Ben Cardin introduced H.R. 839, the Renewing the Dream Tax Credit Act, to provide a federal investment tax credit to solve this problem. Although your bill attracted over 300 House sponsors and a companion Senate bill attracted 46 sponsors, no broader tax legislation was available to carry the proposal.

Now that tax reform is a high priority, the time is right to take up the cause again. The Neighborhood Homes Tax Credit (NHTC), a description of which is attached, is a revised version of your previous proposal. As before, the private market would assume the risk of constructing and marketing the homes, so the government would pay only for success. The new version would give states the flexibility to convert a portion of their tax-exempt private activity bond (PAB) cap into NHTC authority, rather than create an entirely new stand-alone program. This approach would let each state decide how much PAB cap to devote to NHTCs. In 2015, Ohio abandoned \$749 million in PAB issuance authority.

We are confident that a Neighborhood Homes Tax Credit would help us reclaim many neighborhoods in cities and towns throughout Ohio. New and rehabilitated homes will replace blight, create jobs, increase nearby property values, help homeowners build wealth, strengthen the local tax base, and encourage further private investment in our state.

We hope you will once again offer your leadership in this effort. For further information, please contact Alison Goebel (agoebel@greaterohio.org) or Buzz Roberts (broberts@naahl.org).

Very sincerely,

Cleveland Neighborhood Progress

Greater Ohio Policy Center

Western Reserve Land Conservancy