Alternative Acquisition Strategies: Beyond Board of Revision

Frank Ford, Western Reserve Land Conservancy | Moderator

Dawn Stockmo, National Community Stabilization Trust
Shawn Carvin, Trumbull County Land Bank
David Mann, Lucas County Land Bank
Our Session Today

- Brief Overview & Introductions | Frank
- An Introduction to the National Community Stabilization Trust | Dawn
- NCST Success Stories in Trumbull & Lucas Counties | Shawn & David
- Strategic Acquisition through Purchase & Private Owner Donation | Shawn
- Forfeited Land Acquisition & Quasi-Acquisition | David
- Questions & Open Discussion | Everyone
Reclaiming vacant homes builds strong neighborhoods

Ohio Land Bank Conference 2018
About NCST

NCST, a non-profit organization, has programs that facilitate the rehabilitation of vacant but structurally sound homes, enable safe, targeted demolition when necessary, and support creative and productive re-use of vacant land.

Provide community-based buyers an opportunity to acquire distressed properties as part of a neighborhood revitalization strategy through our programs, including First Look.

Partner with Fannie Mae and Freddie Mac in their Neighborhood Stabilization Initiative to offer their REO properties to affordable housing and community development organizations in 28 strategic markets.

Work with policymakers, research solutions, and advocate for policies alongside national and local partners, to help communities address high rates of vacant, abandoned, and distressed properties.

Own and manage a portfolio of highly distressed mortgages with national partners, to resolve delinquencies, assist homeowners, and prepare vacant properties for productive disposition.
NCST: By the Numbers

25,000
Since 2009, NCST has conveyed approximately 25,000 properties at a discount to local housing providers across the U.S., who rehabilitate homes to improve their communities.

$1.5 Billion
In our first 10 years of operation, NCST has conveyed $1,555,434,228 in real estate back to the community through local housing providers.

53%
Fifty-three percent of the properties transferred through the Neighborhood Stabilization Initiative (NSI) are located in census tracts where the average household income is 80% or less of AMI.

1,290
Acquired more than 1,200 low-value, non-performing loans, now being resolved using customized solutions that address the unique challenges of vacant properties.

$251 Million
Our community buyers have saved more than $251,000,000 by buying their properties through NCST’s programs.
NCST acquisition programs

• Community Buyers have the opportunity to access REO in targeted areas prior to the properties being listed in the open market – “First Look”

• Seller partners provide an adjusted sales price using a “net present value” model

• Financial institutions have the opportunity to sell to a buyer who has dedicated funding and an incentive to improve the neighborhood while minimizing hold times

• Helps Community Buyers target properties in stabilization focus areas

• Donations/Triage – Any property valued at <$50k is eligible for triage (“counter offer”)

• Properties are sold directly to the Community Buyer – NCST does not enter the chain of title
NCST operates the NSI, through which we partner with the FHFA, Fannie Mae, and Freddie Mac to stabilize neighborhoods hardest hit by the housing downturn.

By providing access to REO properties in strategic locations, NSI helps community buyers acquire and rehabilitate properties in a way that helps break the cycle of neighborhood distress.

NSI operates in 28 strategic markets with large concentrations of REO:

<table>
<thead>
<tr>
<th>Akron, OH</th>
<th>Albany-Schenectady-Troy, NY</th>
<th>Atlanta-Sandy Springs-Roswell, GA</th>
<th>Baltimore-Columbia-Towson, MD</th>
<th>Birmingham-Hoover, AL</th>
<th>Chicago-Naperville-Elgin, IL</th>
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<td>Cleveland-Elyria, OH</td>
<td>Columbus, OH</td>
<td>Dayton, OH</td>
<td>Detroit-Warren-Dearborn, MI</td>
<td>Flint, MI</td>
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<td>Kansas City, MO-KS</td>
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<td>New York-Newark-Jersey City, NY-NJ-PA</td>
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<td>St. Louis, MO</td>
<td>Tampa-St. Petersburg-Clearwater, FL</td>
<td>Toledo, OH</td>
<td>Trenton, NJ</td>
<td>Youngstown-Warren-Boardman, OH-PA</td>
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For more info visit: https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Neighborhood-Stabilization-Initiative.aspx
**First Look**
- Properties available for purchase at a discount based on an Net Present Value (NPV) model

**Neighborhood Stabilization Initiative (NSI)**
- Collaboration between FHFA, GSEs, and NCST
- Quick Look and Enhanced First Look Processes (Detroit/Cook County)
- Properties available for purchase at a discount, up to $1 sales
- Sellers may provide contributions towards demolition
NCST | pricing considerations

- All purchase programs through NCST use a Net Present Value (NPV) model
- Seller begins with the estimated fair market value (EFMV) of the asset at the time it is made available through NCST
- Sellers then acknowledge the cost savings realized through NCST (“cost avoidance”):
  - Estimated savings on: maintenance, insurance, administrative, and marketing costs
  - Provides market-based assumptions: estimated days on market and property depreciation over time
  - Does not consider potential rehab costs
- Based on these two factors, the seller provides an adjusted sales price to the NCST buyer – the “Offer Price”
- Pricing is only provided to buyers who request pricing on properties after they have been inspected and the buyer has done its own due diligence

**NPV MODEL**

Estimated Fair Market Value (EFMV) - Seller cost savings = Offer Price
Key Reminders

- Interest (or disinterest) should be expressed on every opportunity – NCST encourages buyers to have at least 2 REOMatch users to monitor properties.
- Buyers should complete due diligence and physical inspections (if possible) on all properties prior to requesting a price or accepting.
- Buyers commit to a 45 day closing – funding must be available to close on time.
The following entities are eligible to become NCST Community Buyers:

• Government or quasi-government entities
• Non-profit organizations with active corporate status and a 501(c)(3) designation
• Non-501(c)(3) organizations, including for-profit entities, with active corporate status

Additional Core Eligibility Requirements:

• Housing-Related Mission: Organizations must have a primary mission that directly relates to affordable housing or to community revitalization through housing-related activities.

• Demonstrated Experience with Acquisition and Rehabilitation: Organizations must demonstrate at least two years of direct experience with real estate project development as an organizational entity.

• Targeted Community Presence: Demonstrate a clear history of direct involvement in the geographic area.

• Access to Sufficient Funding/Capital: Applicant must demonstrate that they have access to sufficient sources of funding to acquire and rehab properties. NCST permits a range of capital sources for financing the acquisition and development of properties, including but not limited to the following: federal, state, or local public funding or grants; disaster relief funds; philanthropic funding; program income; and other public and private sources.
The NCST Program Guide states expectations for our community buyer partners. A current copy of the Program Guide is always available on our website at [www.stabilizationtrust.org](http://www.stabilizationtrust.org)

**Key Program Requirements – Post Purchase**

**Partnership Structures and Chain of Title**: Community buyers must remain on title for properties acquired through end-disposition, unless a third party has already been approved.

**Securing Properties**: Buyers must secure and maintain properties after closing and through end-disposition to an eligible end-user.

**Disposition Strategies**: End-occupancy is the primary goal of the program (homeownership, rental, lease-purchase, etc.). Demolition is also eligible when warranted.

**Rehabilitation Standards**: Community Buyers must apply a reasonable standard of repair to properties. Rehabilitation work must commence within 90 days of closing when possible.

**Sourcing Income-Eligible Homebuyers**: Community Buyers should use best-efforts to source end-users that are within 120% of the Area Median Income (AMI).

**Post-Closing Reporting**: Community buyers will be required to provide documentation on end disposition of all properties acquired through NCST acquisition programs on a quarterly basis.

**Anti-Flipping**: NCST prohibits Community Buyers from reselling properties acquired through its programming entities for the sole purpose of realizing a profit, i.e., “property flipping.”
**NCST| technology platforms**

**REOMatch ®  www.reomatch.org**
- Web-based property mapping and acquisition tool used by NCST and its partners to show properties
- Personalized REOMatch portal for each Community Buyer
- Enables real time property updates and status changes
- Mapping functions and downloadable property data enable Buyers to accurately pinpoint and define the status of properties
- Community Buyers should log in to respond to every opportunity made available

**REOTrack ™**
- Hosts all properties acquired through NCST from participating sellers
- Customized REOTrack portal for each Community Buyer hosting only their acquisitions
- Simplifies reporting on development and disposition activities by showing buyers what is required for each asset
NCST Contact Info

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Cell: 773.440.3176

NCST Community Development Manager
Chris Garland
cgarland@stabilizationtrust.org
Office: 214.710.3399
Cell: 216.533.5629

Onboarding Team Distribution List: newbuyer@stabilizationtrust.org

NCST Resources: Program Guide, user manuals, and other resources available to buyers on our website: www.stabilizationtrust.org/buyer-resources

Follow Us: Facebook  | LinkedIn  | Twitter
TRUMBULL COUNTY LAND BANK
NCST Success Stories

• First Look

• Donations

• Triage Request
NCST Success Stories
NCST Success Stories
REO & NCST Success Stories

2013…
REO & NCST Success Stories

Fire damaged, gutted, but in a targeted neighborhood....
REO & NCST Success Stories

After full renovation, the highest sale price in the neighborhood in 10 years!

Congratulations to a new Burroughs homeowner!
TRUMBULL COUNTY LAND BANK

Strategic Acquisition Through Purchase & Private Owner Donation
Data Collection
Data Collection
Strategic Acquisition

- Perform proper due diligence
  - Title searches
  - Property inspections
  - Purchase contracts and agreements
- Determine final end use of property
  - Demolition
  - Renovation
  - Pre-identified end user
- Identify neighborhoods and properties that need intervention
  - Use all acquisition methods to intervene in neighborhoods in most need of assistance
Purchasing Properties

• Privately negotiated sales
  • MLS
  • Realtors
  • Private sellers
• Auctions
  • On-site
  • Internet
• Sheriff’s Sales
• Negotiating with local and regional banks
• Purchasing liens in coordination with private donations
Donations

- Political Subdivisions
- BOD/Condemed Lists
- Working with government departments
- Municipal land banks and publically owned properties
- Private Owners
- Deed-in-Lieu of Foreclosure
- Direct Donation
- Out-of-town investors
- Nonprofit Organizations

<table>
<thead>
<tr>
<th>File #</th>
<th>Owner/Agent</th>
<th>Address Street</th>
<th>Date Unit</th>
<th>Notes - Source</th>
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<td>New Heights South LLC</td>
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<td>1755</td>
<td>Longe, Ann &amp; Sally</td>
<td>1776 Clemens Ave.</td>
<td>NE 10/31/2012</td>
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Thursdays, May 9th, 2019
Donations

- Local and regional banks
  - National Community Stabilization Trust (NCST)
  - Chase Community Revitalization Program (CCRP)
  - Working with CRA and REO departments
    - Wells Fargo
    - PNC
    - Huntington
    - Local credit unions
Forfeited Land Acquisition & Quasi-Acquisition
What is Forfeited Land?

• A tax foreclosed property that is auctioned twice by the County Sheriff without any bidders forfeits to the State of Ohio.

• The State of Ohio delegates to each County Auditor the responsibility to auction a forfeited property again at a future date in order to return it to private ownership.

• But County Land Banks have a special right to acquire forfeited property at any time with simple notice to the County Auditor.

• Like tax-foreclosed court transfers, a forfeited property transferred under 5723.04 will pass to the County Land Bank with free and clear title.

Ohio Revised Code Chapter 5723
Forfeited Land Opportunities

4220 Lowe

- Acquired after sitting two years on the forfeited land list
- Needed significant work
- But, in a targeted neighborhood where homeownership was important
What to Avoid with Forfeited Land

• A County Land Bank can take ownership of forfeited land by order of the Court under R.C. 5723.01(A)(3).

• This is different than waiting for the property to forfeit to the State of Ohio and then acquiring it from the Auditor under R.C. 5723.04.

• **DON’T ACQUIRE FORFEITED LAND BY ORDER OF THE COURT.**

• By statute and Ohio Attorney General opinion, acquiring forfeited land by order of the Court will deliver title that includes all of the liens & encumbrances of the prior owner.

• Acquiring forfeited land from the County Auditor is your only chance for free & clear title. **DO THIS!**
Quasi-Acquisition of Forfeited Land

- Under 5723.01(A)(4), a County Land Bank is authorized to do the following at an unoccupied forfeited property:
  - Conduct an appraisal or inspection of the buildings & site
  - Conduct an environmental assessment of the buildings & site
  - Conduct other health and safety inspections

- Unless the County Land Bank causes harm to the forfeited property through willful misconduct or tortious intent, immune from trespass and other causes of action.

- Can a County Land Bank do more to help responsibly manage risks and costs associated with forfeited property??
Quasi-Acquisition Opportunities

Merchant’s Landing Shopping Center

- Shopping plaza previously anchored by Kroger
- Deteriorating due to loss of tenants, loss of retail demand
- $500,000+ outstanding tax delinquency
- Forfeited to State of Ohio