Mitigating Danger: Combating Predatory Land Contracts and the Risk of Neighborhood Blight

Jason Warner – Greater Ohio Policy Center
Lisa Nelson – Federal Reserve Bank of Cleveland
Erica Faaborg – City of Cincinnati Law Department
Ian Beniston – Youngstown Neighborhood Development Corp.
Litigating Land Sale Contracts: A Tale of Two Lawsuits

Erica Faaborg, City of Cincinnati Law Department (erica.faaborg@cincinnati-oh.gov)
Background: Quality of Life Division

- Formed in 2014
- Mission: to improve the Quality of Life of citizens by achieving code compliance through affirmative litigation
- Focus on top offenders of building and health codes
- Strategy:
  - Ohio Nuisance Statute (ORC 3767.41), combined with
  - Collections claims
Litigation Tools

• Receiverships (ORC 2735; ORC 3767.41)
  - Protection of financial interest
  - Nuisance Abatement

• Judgments/Collections claims
  - Liens
  - Foreclosures
Land Sale Contracts in Cincinnati

- 2016: “Toxic Transactions” published by NCLC
  - Land sale contracts historically problematic
  - New wave of purveyors utilizing foreclosure crisis to increase profits
- NYT coverage
  - Spotlight on Ohio as market for land sale contracts
Land Sale Contracts in Cincinnati

- Vision Property Management
  - Kaja Holdings/RV Holdings/RVFM
  - 24 properties at time of filing

- Harbour Portfolio
  - National Asset Advisors
  - 66 Properties at time of filing
Harbour Portfolio, details

• Traditional land sale agreement (vendor/vendee)
• Failure to record conveyances
  - If property under contract, claimed no liability because not owner
  - If property not under contract, no response to City orders
• Claims
  - Statutory Nuisance Claims: 8 properties
  - Injunctive and Declaratory Relief: Violations of ORC 5301 and 5313
• Monetary Claims
  - $225k in outstanding fines
  - $100k in fees and late fees
  - $43k in abatement costs and water charges
Harbour Portfolio, details
Vision Property Mgmt., details

- Rent-to-own agreements (landlord/tenant)
  - Entire business model violated Ohio law
- Claims
  - Statutory Nuisance Claims: 6 properties
  - Injunctive and Declaratory Relief: Violations of ORC 5321
- Monetary Claims
  - $70k in outstanding fines
  - $72k in fees and late fees
  - $45k in abatement costs and water charges
  - Add’l $10k in judgements already obtained
Vision Property Mgmt., details
## Harbour vs. Vision, by the numbers

<table>
<thead>
<tr>
<th></th>
<th>Harbour</th>
<th>Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footprint (at max)</td>
<td>66</td>
<td>24</td>
</tr>
<tr>
<td>Citations issued</td>
<td>136</td>
<td>35</td>
</tr>
<tr>
<td>Lot abatements</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Demolition $$</td>
<td>N/A</td>
<td>$22k</td>
</tr>
<tr>
<td>City barricades</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Fees and late fees</td>
<td>$110k</td>
<td>$72k</td>
</tr>
</tbody>
</table>
Outcomes - Harbour

- Formal mediation
  - Ensured appearance of retained counsel
  - Allowed opportunity to educate counsel on local laws

- Key issues
  - Had already stopped business model locally
  - Third-party Plaintiffs rep’d by Legal Aid
  - No longer held title to any nuisance property
Outcomes - Harbour

- Harbour Obligations
  - $125k payment to the City
  - Recording conveyances
  - No more land sale contracts unless property is habitable
- For future contracts
  - Disclose defects, notices, and liens
  - Pre-purchase inspections
  - Issue letter to proposed purchaser explaining methods to ID property conditions
Outcomes - Vision

- Direct communication with general counsel
  - Lack of local contact, generally

- Key issues
  - Acknowledgment that business model violated Ohio law
  - Still held title to several nuisance properties and overvalued them
  - Legal Aid rep’d handful of individuals in nuisance properties
Outcomes - Vision

- Vision Obligations
  - $1k payment to the City
  - Recording conveyances
  - No more land sale contracts unless property is habitable
  - For future contracts
    - Disclose defects, notices, and liens
    - Pre-purchase inspections
    - Issue letter to proposed purchaser explaining methods to ID property conditions
Lessons Learned

- Work together with other stakeholders!!!

- Have supporting documents ready
  • The Harbour recording problem

- Insist on clear channel of communication
  • The Vision “local” problem
Epilogue: A New Hope?
(a.k.a. How I Learned to Stop Worrying and Love to Plagiarize)

• CMC Chapter 870: Land Installment Contracts
  - Properties must be habitable
  - Contract must be recorded by vendor
  - Private right of action
  - Attorney’s fees/actual damages
Youngstown Neighborhood Development Corporation
Ian Beniston AICP, HDFP
Executive Director