

'Predatory' property investors agree to pay Cincinnati, change practices to settle lawsuit

Tenant: 'They are gangsters with the paperwork'

Posted: 6:00 AM, Mar 28, 2018

Updated: 2:08 PM, Dec 12, 2018

By: [James Leggate](#)



CINCINNATI -- After the City of Cincinnati sued two land investment companies last year over what officials called "predatory" business practices, the companies have agreed to fix up their properties and revise their operations in order to settle the city's lawsuits.

Harbour Portfolio Advisors of Dallas, Texas, and Vision Property Management of Columbia, South Carolina, along with other companies related to each, bought properties in bulk from Fannie Mae after the 2007-09 mortgage crisis. The companies paid just a few thousand dollars or even nothing for some properties, according to real estate records.

Both companies offered those properties to consumers via different types of rent-to-own contracts that offered would-be buyers neither the protections of a tenant in a traditional rental

nor the protections of a mortgage holder, according to the lawsuits the city [filed against the companies](#) last spring.

[Vision](#) will pay the city \$88,679.61, according to the terms of a settlement agreement obtained by WCPO. The company will turn over three "nuisance properties" to the Hamilton County Land Reutilization Corporation, the nonprofit land bank that fixes up vacant properties. They will fix up two other properties to city building department standards. Vision also agreed to not offer any of its properties in Cincinnati unless the building department deemed them habitable and to comply with all state and city rental laws.

According to Land Reutilization Corporation records, one of the properties is scheduled for demolition. The land bank has partnered with nonprofit community development corporation Price Hill Will on another of the properties.

[Harbour](#) will pay the city \$125,000, according to a separate settlement agreement. They agreed to bring their properties into compliance with city code. When signing future land sale contracts, Harbour will disclose any known defects with the property and let the buyer know about any citations, liens, unpaid taxes or other issues with the property. The company will also record all future land sale contracts with the county recorder's office.

David Stein, the Columbus-based attorney who represented Harbour in the case, said the company "is satisfied with the result, and believes the result is fair."

An attorney for Vision didn't return calls for comment.

In a written statement, Cincinnati City Solicitor Paula Boggs Muething said the settlements "are designed to bring about systemic change in how large-scale property owners do business in the city and with city residents."

"Increasing consumer protections for our citizenry is an absolute success," she said.

'Gangsters with the paperwork'

Earnest Heyward was looking for the American dream.

When he saw a sign offering "lease 2 own" at 2860 Losantiville Ave., it seemed like a good deal. In February 2015, Heyward signed a lease option agreement for the property, paying \$1,156 down and \$406 per month with an option to eventually buy it for \$35,000.

"I was like, 'That's reasonable rent.' But when you look into it further, it's actually not," he said.

The property owner, Vision-related company KAJA Holdings 2, bought the property from Fannie Mae for \$0 a year earlier.

Heyward soon found that most of his payments weren't going toward the purchase. Only \$25.86 from each monthly payment was paying off the house.

Inside, Heyward found the house needed a lot of work. He said he found black mold and "gunk" in the walls. The carpets were filthy from the previous owner's animals. He said when he saw the bare floor, it was cracked and uneven. There were roofing issues. And someone had stolen some of the pipes and filled the gap with concrete.

Heyward got to work making repairs. But he also began receiving notices from the city about fines for structural damage. He learned the city had ordered the property be vacant, when a previous Vision tenant lived there, and the issue had never been fixed.

Under Ohio law, a landlord is responsible for making repairs and complying with building codes. But Heyward's contract stated that the house was leased in "as is" condition, and he was responsible for fixing up the property and dealing with code issues.

"It's like a mortgage, but you have no ownership rights until the 20th year," Heyward said.

In the lawsuit, the city accused Vision of breaking Ohio's landlord-tenant law by putting the maintenance requirements on the tenants.

"The reality is that Vision's tenants are entering the worst form of residential lease agreements, i.e., agreements that illegally burden tenants with repairs at blighted nuisance properties that tenants believe they are purchasing (in some capacity), but that they have no true possibility of ever owning," the city's attorneys wrote.

Heyward said he found Vision's representatives to be "professional in a bad way." When he called the company to address the issues, he said they kept passing him off.

"They sell people a dream that's not realistic," he said. "They are gangsters with the paperwork."

Frustrated, Heyward stopped making payments. KAJA filed to evict him in October 2016, saying he owed more than \$2,200. But Heyward said they didn't send anyone to court, so he won by default. However, when KAJA filed to evict him again the following May, Heyward said he was tired of dealing with it. He let the company evict him and ended up buying another place.

"They do a good job of reeling people in," he said. "They do the whole bait-and-switch. They bait you with the American dream, and switch it with a third-world hut."

The city's settlement with Vision identifies the Losantiville Avenue property as one the company will repair. The company has 200 days to get the house up to code.

2860 Losantiville Ave. in 2014 (Photo by Google Maps)



A dream turned into a nightmare

James Williams had rented all his life, but he wanted to own a home where he could live with his wife, stepdaughter and grandson.

In the fall of 2011, Williams saw a sign advertising a two-family home for sale in West Price Hill near where he was renting. Harbour was selling 3814 St. Lawrence Ave. for \$40,700 via a land sale contract, a type of sale

doesn't require traditional financing like a mortgage. The buyer makes monthly payments directly to the seller.

Williams signed a contract with Harbour in December of 2011. After making a \$700 down payment, he agreed to pay the bulk of the selling price at 10 percent interest over 30 years. The average interest rate on a 30-year fixed rate mortgage that month was 3.96 percent, according to historic government data.

According to the terms of the contract, Williams was also responsible for paying the taxes, and for upkeep of the property.

Williams signed the deal with Harbour before he ever entered the house, according to Steven Sharpe and Stephanie Moes, attorneys from the Legal Aid Society of Southwest Ohio who represented Williams. Even after signing the contract, Harbour didn't give Williams keys or the code to the lock box. They just told him to cut the lock, his lawyers wrote in court records.

He had figured the house would need some work, but Williams expected he'd be able to use his carpentry and home repair skills to take care of it himself. When he got inside and had the utilities turned on, he began to find the true extent of the needed repairs.

The house had been vandalized, according to court records. Most of the plumbing was missing, and the drywall was damaged where the pipes had been removed. However, water was still flowing, causing more damage.

The terms of the contract offered "none of the benefits of homeownership while saddling the purchaser with all of homeownership's responsibilities," Williams' attorneys wrote.

Six years later, Williams has spent thousands of dollars — his life savings — fixing up the property to make it livable. His stepdaughter and grandson moved out after the boy suffered lead poisoning there. And the city named him a co-defendant in the lawsuit against Harbour.

"The lawsuit was a little bit of a wake-up call" for Williams, Moes said. They filed a cross claim against the property owners.

According to the city's lawsuit against Harbour, dealing with the problems in homes purchased from the company would be too expensive for many of its would-be buyers to handle. The contract would fail, Harbour would have the person evicted and it would find another buyer or another out-of-town investor. Court records show Harbour has filed for more than 20 evictions in Hamilton County.

However, Williams was not deterred. He spent almost \$10,000 and hundreds of hours of his own labor fixing the house. He had to replace the plumbing, repair the drywall and also fix a broken toilet, faucet and vanity before he moved in. Electric wiring in part of the home was faulty and needed to be repaired. The furnace ran for about a month before it needed to be repaired. He had to put in a new water heater. Windows also needed repairs.

But more problems continued to come up. In early 2012, the family moved in. Soon after, Williams received a disconnection notice from Greater Cincinnati Waterworks. There was an unpaid bill for nearly \$2,000, most of which was for usage prior to his land contract.

When Williams called Harbour and asked them to pay its portion of the bill, they refused, according to his cross claim. He had to pay the full bill himself in order to keep the water on.

"Williams' dream of homeownership quickly turned into a nightmare," his attorneys wrote.

And after Williams' grandson tested positive for lead in 2012, the health department ordered him to deal with the lead in the house. They also provided him with information about a federal grant program available for homeowners. After using all his money to make other repairs, he didn't have the thousands it would cost to safely remove the lead.

However, Williams was denied for the lead abatement grant because he didn't have a deed to the property. He called Harbour and asked how he could get the needed documents. They said he would have to refinance the land contract, which would allow for Harbour to convert the land contract to a mortgage. However, the company refused to do so, according to his cross claim.

Harbour also told Williams they would send him documents requested by the Health Department, but never did despite numerous calls, according to his cross claim.

But Williams' home isn't one of the properties covered by the Harbour settlement. In 2015, Harbour sold the property to another company, Park Street Group of Bloomfield Hills, Michigan, for \$1,000.

While the out-of-state investors were selling the property to each other for a few thousand dollars, Williams was continuing to make payments on his \$40,000, 30-year-deal. As they instructed him, he sent the payments to Park Street instead of Harbour. But Park Street stopped passing on the portion of his payments intended for tax payments, according to Williams' attorneys. He was unaware, because he didn't receive the tax bills himself. But the property ended up with a delinquent tax bill of more than \$4,000, putting it potentially at risk for a tax foreclosure sale.

But things appear to have worked out for Williams. Moes said any settlement between him and the companies is confidential. But court records show that he dismissed his cross claims against Park Street Group on Dec. 21, and county auditor records show Park Street Group transferred ownership of the home to Williams for \$0 that same day.

An attorney for Park Street didn't return calls for comment.

'Bottom-feeder' investors move in

While the city has settled its lawsuits with two of the big players in what officials called "predatory" rent-to-own contracts, there are still others out there flipping cheap properties which officials say are unfit for habitation.

After the city first filed its lawsuit against Harbour, officials learned Harbour had actually [sold many of the properties to other out-of-state investors](#) they described as "bottom-feeders" in court filings. Many of these companies had never recorded their sales with the county. And some companies have failed to record their land contracts with consumers, making it difficult to track them and difficult to enforce city code.

Five companies filed records with the county auditor showing they had purchased properties at the center of the lawsuit, after the city filed the lawsuit. Officials added those companies to their lawsuit.

In some cases, the purchases had been made months or even years before the lawsuit was filed, but the sales were never recorded until the city took legal action. An attorney for Harbour said in a court filing that more properties named in the suit had also been sold to six other companies which apparently still haven't filed their deeds with the county.

On Monday, the city dismissed its case against one of those companies. But the city also asked the judge to order four other companies which never responded to the lawsuit to pay a total of \$252,067.86 for code violation fines, barricade costs, vacant building maintenance license fees and other unpaid costs.

Those companies include Clark Partners 1964 LLC of San Diego, California; DMP Holdings LLC and Park Street Group LLC of Bloomfield Hills, Michigan; and Lakeside Portfolio Management of Fort Lauderdale, Florida.

The Greater Ohio Policy Center has working to understand the extent of the issue so they can give recommendations for possible legislation to lawmakers, according to the group's executive director, Alison Goebel.

She said that bigger companies like Harbour and Vision saw a market opportunity but are now "walking back" from the practice.

"Based on what our partners in the field are seeing and deducing, these companies are not establishing new land contracts and seem to be selling off to other partners ... So, walking back in the sense of getting out of the business," Goebel said.

The big companies exiting the market has left room for those "bottom-feeders" to move in. But across the state, it can be harder to track which companies are selling similar "predatory" contracts.

Williams' lawyers from the Legal Aid Society of Southwest Ohio said they've noticed an uptick in clients dealing with these contracts, but had no specific numbers available. The Federal Reserve Bank of Cleveland is planning an analysis of land installment contracts, according to a spokesperson.

"We know this is an issue in Cincinnati, Youngstown and Cleveland," Goebel said. "And we believe that, because it's a problem there, it's likely, to a greater or lesser extent, to be a problem throughout the state."

.