

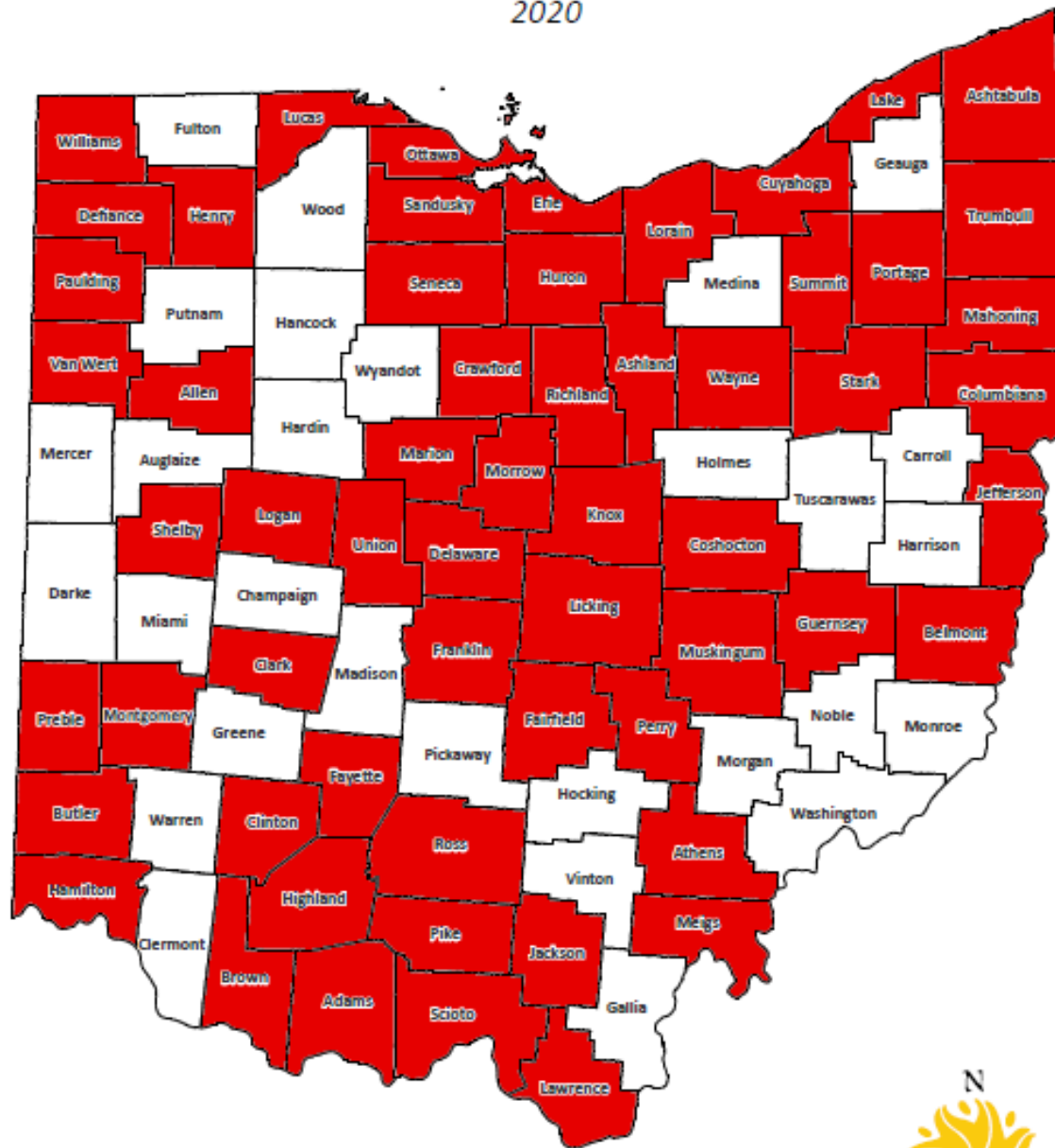
PROPONENT TESTIMONY—HOUSE BILL 155
HOUSE ECONOMIC AND WORKFORCE DEVELOPMENT COMMITTEE
APRIL 21, 2021



Chair Edwards, Vice-Chair Powell, Ranking Member Upchurch and members of the House Economic and Workforce Development Committee, thank you for the opportunity to address you on House Bill 155. We come to you on behalf of the Ohio Land Bank Association seeking the opportunity to continue the work we have been doing across the state.

Ohio County Land Reutilization Corporations, commonly referred to as county land banks, have played a critical role in the past eight years in helping to eliminate blight, re-purpose thousands of vacant properties, stabilize housing values and restore lost property tax revenue for Ohio communities. This tool, created by SB 353 in December of 2008, has grown from one county land bank—Cuyahoga-to 59 land banks today. The map on the following page depicts the 59 Ohio counties with county land banks.

OHIO COUNTY LAND BANKS

2020



	Land Bank Established (59)
	County Boundaries (88)

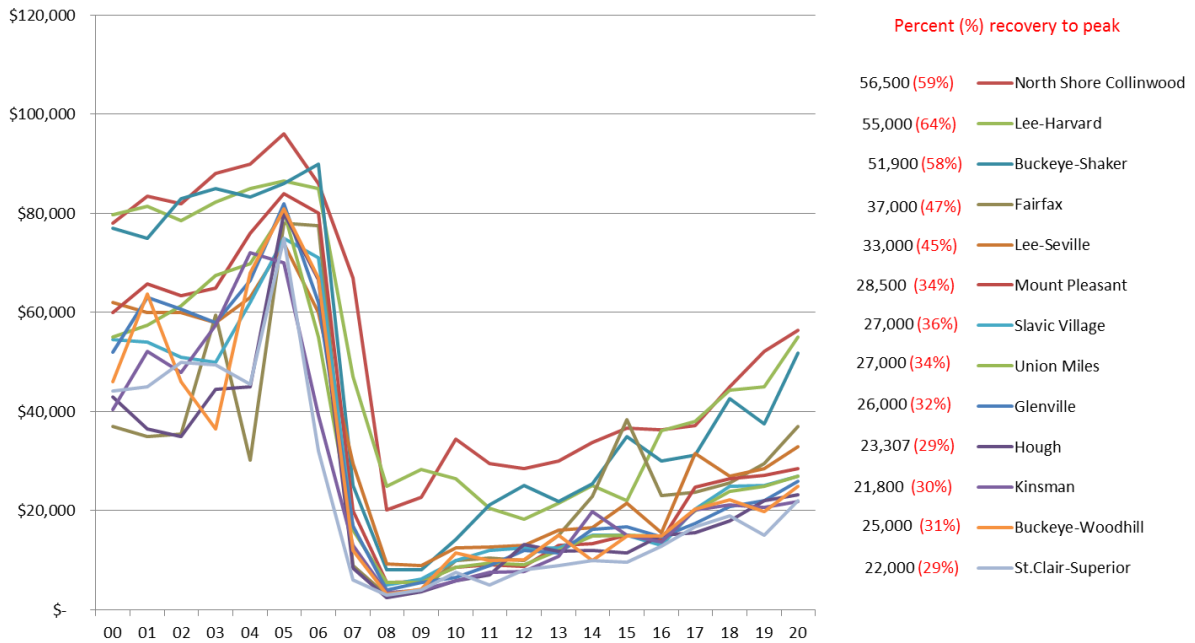


Western Reserve
Land Conservancy

land - people - community

The work of blight removal was kicked off in January of 2012 by then Attorney General Mike DeWine, who committed the majority of the landmark “Robo-Signing” settlement to Ohio communities for the removal of distressed properties. The blight fighting effort received a second boost in federal assistance through the repurposing of Hardest Hit Funds in June of 2013, and a second commitment in January of 2016. These combined efforts raised approximately \$400,000,000. When added to commitments made at the local level in places like Cuyahoga and Richland counties the total raised approaches \$450 million dollars. These funds have helped county land banks demolish over 40,000 vacant and abandoned residential structures. It is undeniable that the foreclosure crisis of 2004-2009, and the ensuing “Great Recession” played a major role in causing much of this abandonment--and destabilizing communities all over Ohio. Billions of dollars in equity were lost by Ohio property owners whose subprime and predatory mortgage loans went into default and foreclosure. An even greater tragedy was experienced by adjacent and adjoining property owners in those same communities: they never took out a bad mortgage, but suffered the same losses as a result of the abandonment and blight caused in their neighborhood by these risky mortgages. The graph on the following page depicts the dramatic drop in property values on the East side of Cleveland during the foreclosure crisis.

Median Price - Arms Length Sales 2000 - Sept 30, 2020 Thirteen Eastside Cleveland Neighborhoods



Source: NEO CANDO at Case Western Reserve University.
 Arms Length Sales = sales on 1-3 family residential property that exclude: 1) transfers at a Shf Sale,
 2) \$0 transfers and 3) transfers to a bank or Federal agency. 1-3 family includes condominiums; includes vacant lots > \$100K.
 Prepared by Frank Ford, Western Reserve Land Conservancy, 10-8-20.

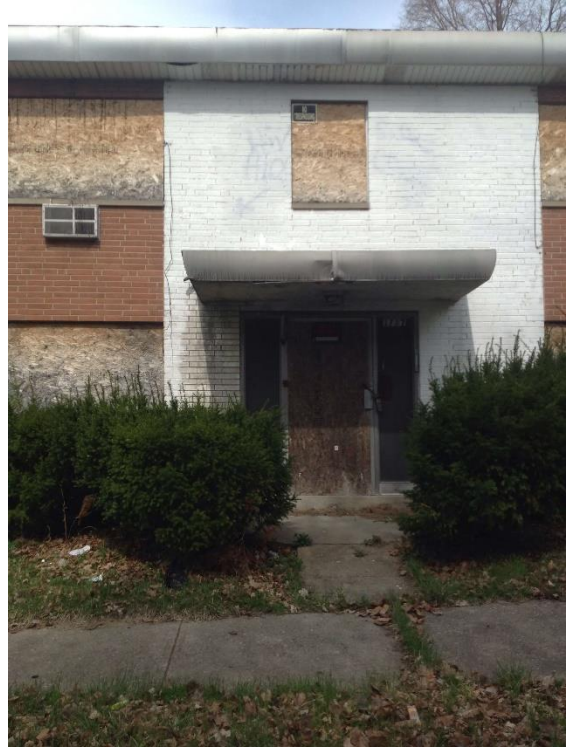
Land banks focused initially on these vacant and abandoned residential properties, in part because they were easier to acquire, and in part because the dollars made available by the state and the federal government limited demolition dollars to residential properties. Unfortunately, land banks have been unable--except on a limited basis, and based on their own resources-- to deal with millions of square feet of vacant and abandoned commercial and industrial properties.

Commercial and industrial properties in Ohio have been ceasing their operations—and facing abandonment—for decades. From small machine shops to the ubiquitous retail properties--with ground floor retail and apartments above, to the giant industrial complexes in cities like Youngstown, Cleveland, Dayton and Toledo, properties have been abandoned by the thousands in Ohio communities. They stand as a reminder of what made Ohio great, but because so many have been vacant for so long all they do now is remind these communities of their economic decline. They have long since stopped paying property taxes, but are a drag on community resources as they are often magnets for criminal activity, such as arson fires and violent crimes. While many of these facilities (because of zoning requirements) are located outside of traditional neighborhoods, a significant number, especially old schools and old hospitals are located within residential communities and pose a special risk to those adjoining neighborhoods. For many of these properties there is no market-based re-use solution, no incentive for private investment to save them. Quite simply, many of these properties require demolition. But the cost of these demolitions can run in the millions of dollars, not just because of the size of some of these structures—but because of the environmental issues these properties pose. (A notable example of this problem is the New Boston Coke facility, a former steel plant and coal tar distillation plant in Portsmouth, Ohio which closed over 20 years ago. The 22-acre site is located

directly on the Ohio River. It is adjacent to the Portsmouth water filtration plant. It is an environmental nightmare and the cost of removing the building and cleaning the site may run upwards of 40 million dollars. Community leaders have struggled for year to find a way to clean this site, but their pleas have been ignored.)

It is worth noting that in spite of the substantial progress made on the removal of blighted residential structures in Ohio, the problem is far from being resolved. A study done by the Western Reserve Land Conservancy in 2013 estimated that there were over 100,000 vacant and abandoned residential structures in the state of Ohio. A more recent study in 2019, responded to by less than a third of Ohio counties revealed that 25,891 residential units still await demolition. Based on further contacts with county land banks and local building departments, and expanding the demolition need to the thousands of abandoned house trailers— this number, while reduced significantly, is still in excess of 50,000 units. So the need for blight removal dollars is still there.

Many of the structures in need of demolition are in key locations that could provide an economic boost to the surrounding communities. One such example is Chapman Avenue, in East Cleveland. On the section of this street north of Euclid Avenue, every single apartment building is abandoned and trash ranging from pallets to couches to old mattresses is strewn about the street. These dilapidated buildings are extremely hazardous to the surrounding community. The pictures on the following page provide a snapshot of tens of thousands of square feet worth of some of the worst urban blight in the state.



Demolishing the apartment buildings on Chapman Avenue has impacts well beyond improving the quality of life for community members living in the immediate surrounding area. The University Circle neighborhood, containing University Hospital and the Cleveland Clinic, is located a few short miles from Chapman Avenue. With these two ever-expanding, massive employers close by, Chapman Avenue is an ideal spot for new housing that caters to those employed in University Circle. In fact, a developer in the area has already stated that if the apartment buildings will be torn down, he will move his headquarters to this location and begin to explore partnerships with the institutions that make up University Circle—University Hospitals, CWRU, the Cleveland Clinic—and others for additional space as they are all land locked in the circle and have no room for expansion there.

While there has been progress with residential units there has been virtually none with commercial and industrial properties. We estimate the number of abandoned commercial and industrial units/buildings in the state of Ohio to be approximately 10,000 buildings. We believe the total square footage of these buildings approaches 100,000,000 square feet. A recent survey by Western Reserve Land Conservancy received responses from 29 of the land bank counties—which at that time totaled 56 counties. That survey obtained responses from about one third of Ohio counties and revealed almost 4,500 abandoned buildings with approximately 40,000,000 square feet of space. They range from the smaller commercial structures with ground floor retail and one or two floor of apartments, to industrial complexes in excess of 1,000,000 square feet. The cost of demolishing these buildings, using an \$8.00 per square foot demolition cost, (an average based on what the Cuyahoga County land bank spends on demolition) would be

\$800,000,000—but that is not the only cost facing these communities. It is actually considerably higher than that as many of these buildings have asbestos issues. In addition, some are even more toxic than that as we cite in this paper with examples like the New Boston Coke Plant in Warren, or the abandoned St. Joe’s hospital complex pictured below.



The Ohio Land Bank Association asks on behalf of its members and Ohio communities for the commitment of \$100 million over the next two years, as outlined in House Bill 155, to begin to deal with the nightmarish conditions that so many of these abandoned structures pose for Ohio cities, villages and townships. Because the blighted property problem continues to be an issue with residential structures, we are looking for funding that is flexible that we would generally characterize as nuisance abatement funding. This funding would have to include environmental clean-up dollars as so many of these properties pose environmental risks. The nuisance abatement categorization might also give these land banks the flexibility to save properties by preserving them, as opposed to demolishing them. County land banks have rehabilitated thousands of Ohio single family homes through innovative programs like the Deed in Escrow program in Cuyahoga County, and many counties have asked that monies allocated allow that flexibility as well.

As of this date, the State of Ohio has not contributed any general fund revenue to the problem of abandoned properties and blight remediation. The monies contributed by then Attorney General Mike DeWine in 2012 were dollars from a legal settlement known as the “Robo-signing” lawsuit. Local and county governments have contributed revenues from their coffers to help resolve these issues, but on a limited basis as their resources are limited. The federal dollars provided through the reallocation of Hardest Hit Fund dollars have been completely expended, but efforts to raise more resources are continuing. The funding provided by House Bill 155 would be extraordinarily helpful and, based on experience, would help to stabilize these communities and create new opportunities.