

# Kent County Land Bank Authority Review Subcommittee



May 11, 2017

The mission of Kent County government is to be an effective and efficient steward in delivering quality services for our diverse community. Our priority is to provide mandated services, which may be enhanced and supplemented by additional services to improve the quality of life for all our citizens within the constraints of sound fiscal policy.

## **I. Introduction**

Michigan Public Act 28 of 2003 enabled the creation of Land Bank Fast Track Authorities to assist governmental entities in the acquisition, assembly, and clearing of title to property in a coordinated manner; to facilitate the use and development of certain property; and to promote economic growth.

As permitted by the Act, the Kent County Land Bank Authority (KCLBA) was created in November 2009 through an intergovernmental agreement between the Michigan Land Bank Fast Track Authority and the Kent County Treasurer, following approval of the agreement by the Board of Commissioners.

At the time the KCLBA was created, Michigan and the United States were experiencing a severe economic recession that deeply impacted the housing market. As a result of the recession, tax foreclosures in Kent County increased from 102 in 2009 to 229 in 2011. Tax foreclosures peaked at 309 in 2012 and stayed above 200 annually until 2015. As foreclosure activity increased, so did the number of significantly blighted, vacant properties. This trend was evident throughout the State, as other counties saw their number of tax foreclosures and vacant properties rise significantly. In Wayne County, more than 67,000 parcels went through the tax foreclosure process between 2005 and 2009. Washtenaw County, which averaged only 12 tax foreclosures per year from 1997 to 2005, increased to 637 in 2011. Ingham County, which recorded only eight tax foreclosures in 2008, increased to 140 in 2012.

While tax foreclosure actions in Kent County never reached the same level seen in other areas of the State, this trend persuaded the Kent County Board of Commissioners to take proactive action in order to manage blight and facilitate the redevelopment of tax foreclosed properties.

Shortly after approving the intergovernmental agreement creating the KCLBA, the Board of Commissioners appointed a Board of Directors and the Authority filed its Articles of Incorporation. The KCLBA began operations in 2010 and acquired its first properties in 2011.

The enabling legislation allows that a Land Bank may be dissolved five years after its effective date. Discussion by some Commissioners at the time of the KCLBA's creation indicated a desire to review the program at the five-year anniversary. With the five-year anniversary of the KCLBA having occurred in 2015, Board Chair Jim Saalfeld established the Land Bank Review Subcommittee in 2016 and appointed Commissioners Mandy Bolter (chair), David Bulkowski, Matt Kallman, Roger Morgan, and Ted Vonk to the Subcommittee, which was given the following charge:

- Review the accomplishments of the KCLBA since it began operations in 2011
- Review the current status and operations of the KCLBA
- Determine if the goals and purposes in creating the KCLBA are still valid and relevant
- Determine if any changes in the operations of the KCLBA are warranted

The Subcommittee has met eight times since May 2016, and has reviewed the statutory authority of the Land Bank and the relationship and interaction between the KCLBA and the County. This review included the 2013 Land Bank Process Subcommittee Report and Recommendations which was adopted by the Board of Commissioners. Additionally, the Subcommittee received a report on the accomplishments of the KCLBA from its Executive Director David Allen, and received input from KCLBA Board Chair, County Treasurer Ken Parrish. The Subcommittee also solicited input from multiple community stakeholders including local units of government (township and city), realtors, the banking industry, title companies,

the State of Michigan Land Bank Authority, nonprofit housing developers, and local land bank opponents. Participants included:

- Tom Cronkright, Chief Executive Officer, Sun Title
- Jeff Fortuna, Affordable Housing Coalition
- Daniel Hibma, Land & Co.
- Linda Horak, Property Analyst, Michigan Land Bank Authority
- Jeff Huntington, Senior Property Analyst, State of Michigan
- Patrick Lonergan, Sr. Vice President, Community and Economic Development, Fifth Third Bank
- BriAnne Mckee, Executive Director, and Ivor Thomas, Director of Community Development, Habitat for Humanity
- Mark Morante, Strategic Fund Manager, Michigan Economic Development Corporation
- Tom Paarlberg, President and Manager, Greenridge Reality
- Clay Powell, Director, Rental Property Owners Association
- Rusty Richter, Richter Real Estate
- Dale Stuckey, President, Grand Rapids Association of Realtors
- Ronald Vander Veen, Attorney
- Cameron Van Wyngarden, Manager, Plainfield Township
- Kara Wood, Economic Development Director, and Eric DeLong, Deputy City Manager, City of Grand Rapids
- Dave Zeemering, Commercial Alliance of Realtors

## II. Background

**The Tax Foreclosure and Auction Process.** Under State law, the County Treasurer is considered the foreclosing governmental unit for nonpayment of property taxes. When a property has accumulated more than 24 months of unpaid taxes and the redemption rights have expired or 21 days have passed since a foreclosure judgement, title to the property vests with the County Treasurer. The State is then given the first right to purchase the property for the price of the past-due taxes and the fees. If the State does not exercise its right, the property is next made available to the local unit of government (city, village, or township). If the local unit chooses not to acquire the property, it is next offered to the county. If the county does not purchase the property, the property is offered at public auction, with a starting minimum bid set at the amount of the past-due taxes and fees. A property not sold at the first auction is again offered to the local unit of government, and if not purchased, is again offered to the county. If the property is still not purchased, it will again be offered at public auction, this time with no minimum bid price.

Either the local unit of government or the county may sell property it acquires to a land bank authority. In addition, if a property does not sell at second auction, the County Treasurer may transfer the property to a land bank. If a local unit of government so chooses, it may convey tax foreclosed property to a land bank authority prior to making those properties available at public auction.

**2013 Board of Commissioners Action.** On four occasions in 2011 and 2012, the KCLBA requested that the Kent County Board of Commissioners convey them tax foreclosed property prior to public auction. The County agreed to do so and a total of 62 properties (59 before first auctions and three properties prior to a second auction) were sold to the KCLBA for the minimum bid price. In 2012 and 2013, a Board Subcommittee met and determined that “the issues prompting the KCLBA requests to the County were, for the most part, locally generated. Cities, villages, and townships are able to address issues of blight

and instability in their jurisdictions by following permitted statutory procedures for removal of property from the tax foreclosure list and transferring those properties to the KCLBA for appropriate treatment.” The Subcommittee recommended and the Board resolved “that the County would not acquire properties and sell them to the KCLBA prior to the public auction unless the County had a direct interest or there were other special circumstances, and that the KCLBA work with local units of government to acquire property prior to the public auction.”

**Attachment I** of this report is a flowchart that details the tax foreclosure process and identifies the various methods by which a tax foreclosed property can be conveyed to the KCLBA. **Attachment II** of this report details the powers and authority granted to a land bank authority by the enabling legislation.

### **III. Current Status and Operations of the KCLBA**

**KCLBA Stated Mission, Vision, and Values.** The following statements were adopted by the KCLBA during its 2013 strategic planning process:

- **Mission:** To quickly return property to productive use
- **Vision:** The KCLBA partners with local governments, community groups, and private sector redevelopers by offering the unique tools available to land banks to achieve the optimal outcome in real estate and economic development processes
- **Values:** The KCLBA shares with its partners the long-term goals of eliminating blight, increasing property values, preserving neighborhood character, and promoting economic development

**KCLBA Governance and Organizational Structure.** The intergovernmental agreement between the County Treasurer and the Michigan Land Bank Authority as well as the bylaws of the KCLBA require the following makeup for the KCLBA Board of Directors, to be appointed by the Board of Commissioners:

- The County Treasurer
- One member of the County Board of Commissioners
- One member of the Grand Rapids City Commission
- One city council or commission member from any city located in Kent County, other than from the City of Grand Rapids
- One township board member, located in Kent County

In 2011, the KCLBA Board of Directors formed an Advisory Council to provide a mechanism to engage stakeholders in the work of the Authority. The KCLBA Advisory Council services the following functions:

- Advise on KCLBA strategic planning and assist in developing areas of concentration to demonstrate success
- Provide constructive advice on the decisions of the KCLBA Board of Directors and staff
- Provide a comprehensive view of both city and out-county needs
- Engage local stakeholders as needed to ensure success with KCLBA projects
- Identify potential project partners for the Board of Directors and staff members
- Serve as a clearinghouse for education and information on the happenings of the Authority

Membership of the KCLBA Advisory Council is designed to provide a diverse array of geographical representation and professional experience. The size of the Council is 13-17 members and includes representation from the following areas:

- Developers (for profit and nonprofit)
- Metropolitan cities

- Townships and out-county rural communities
- Realtors and rental property owners
- Members from the Chamber of Commerce and neighborhood associations
- Environmental and land use sectors
- Financial institutions

The KCLBA Board of Directors has the authority to make staffing decisions for the organization, and the following five positions are appointed to carry out the day-to-day operations of the Authority:

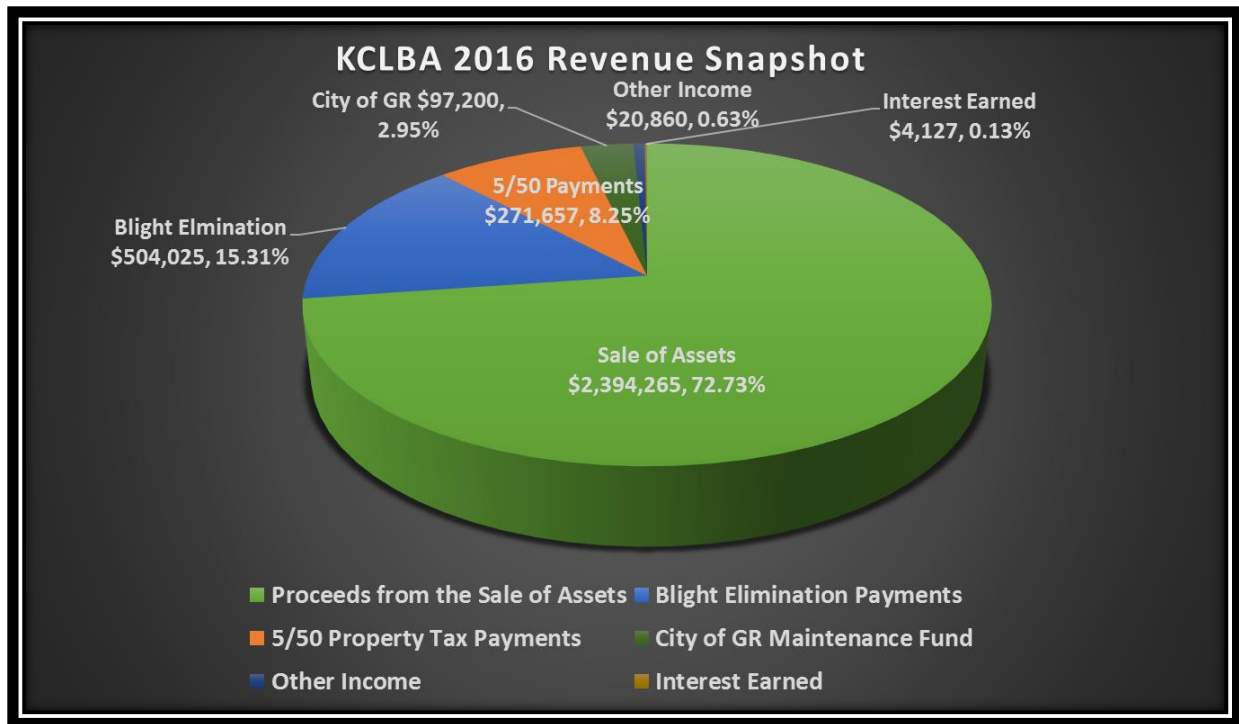
- Executive Director
- Director of Real Estate Development
- Business Manager
- Accountant (Formerly a full-time employee, now an independent contractor)
- Administrative Assistant

**KCLBA 2013-2015 Strategic Plan.** In 2013, the KCLBA Board of Directors, Advisory Council, and Authority staff worked to define the future direction of the organization. The process resulted in a strategic plan with following ten strategic priorities:

- The KCLBA will create a proactive public relations strategy that focuses on messages that emphasize the positive impact of the Authority
- The KCLBA will seek agreements with local units of government to meet their redevelopment program goals by partnering on identified properties
- The KCLBA will create a qualifying mechanism and a network for development partners.
- The KCLBA will publish minimum development quality standards
- The KCLBA should continue to separate its on-going legal issues from its public relations issues and leave any public relations actions related to the litigation to their attorneys
- The KCLBA will focus on the County Commission as a core stakeholder that must be continually approached with information on the positive impact the land bank is having
- The KCLBA will remain focused on its core programs and impact foreclosure indirectly by bolstering the real estate market rather than engaging in foreclosure programs directly
- The KCLBA will continue and expand its conversations with banks and other large or national players
- The KCLBA Board of Directors will work to increase direct communication with the Advisory Council
- The KCLBA will assess the cost for additional accounting and communications support and seek to build that into future budgets. It will also create a policy and procedure for addressing succession of its current positions.

KCLBA Executive Director Dave Allen and Board Chair Ken Parrish have noted that the Authority Board has discussed the need to update its strategic plan, but is waiting to finalize the process until the KCLBA Review Subcommittee has made its recommendations.

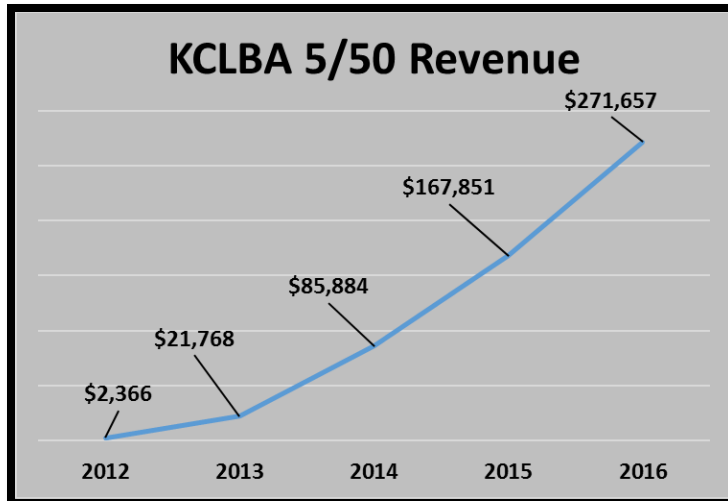
**KCLBA Funding Structure.** The KCLBA funds its operations in a variety of ways, including the net proceeds from selling real estate, “5/50” property tax revenue, payments for services from municipal partners, and State grants. The following chart provides a snapshot of the KCLBA’s revenue streams in 2016.



Source: KCLBA Annual Profit and Loss Statement, 2016

**5/50 Property Tax Payments.** One of the more significant sources of funding for land bank authorities comes from the “5/50” portion of the enabling legislation. PA 260 of 2003 mandates land bank authorities collect 50 percent of all property tax revenue associated with all parcels they acquire and subsequently sell; State law does not permit the KCLBA to defer or return revenue collected under this law. When a land bank authority sells or otherwise conveys property, that property becomes exempt from taxation under the General Property Tax Act, “beginning on December 31 in the year in which the property is sold or otherwise conveyed by the land bank fast track authority until December 31 in the year five years after the December 31 on which the exemption commenced.” The Act further states that “the eligible tax reverted property specific tax shall be collected, distributed, and accessed in accordance with this act.” The Legislature’s use of the word “shall” indicates that collection of the eligible taxes from such property is mandatory.

The Act also specifically indicates what 5/50 revenue may be spent on, which only includes operations of a land bank authority as well as debt service payments on public or private financing necessary to establish a land bank. Given the limitations set forth in the State statute, the County and the KCLBA are unable to exempt specific properties or taxes or change the uses to which 5/50 revenue may be allocated. Action by the State Legislature would be required in order for the collection and/or allocation of 5/50 revenue to become discretionary.

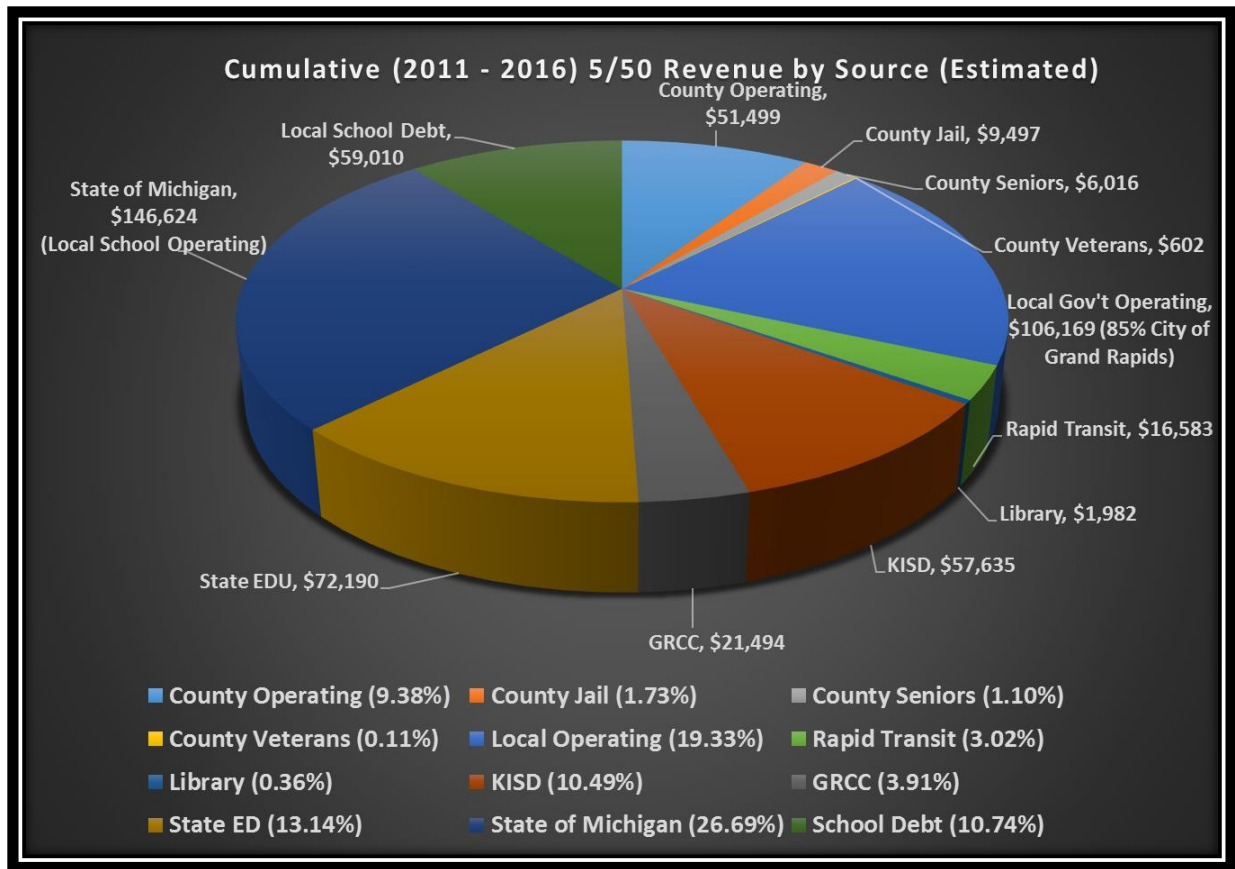


Source: KCLBA Annual Profit and Loss Statements, 2012 – 2016

**KCLBA 5/50 Revenue Breakdown:** In total, the Authority has received \$549,526 in 5/50 revenue since beginning operations. Due to the way that the payments are remitted to the KCLBA, the only way to determine the amounts attributable to each municipality or millage would be to review property tax information for each individual property sold by the Authority; due to the number of properties involved, this was time- and cost-prohibitive. Therefore, in order to estimate the municipal source of this revenue, the total amount of 5/50 revenue was allocated to each type of municipality based on the total number of KCLBA property sales in that type of jurisdiction. As shown in the chart below, more than 90 percent of properties acquired and subsequently sold by the KCLBA have been in the City of Grand Rapids. The remaining properties sold by the KCLBA were located in the cities of Grandville, Kentwood, Lowell, Walker and Wyoming (5.47 percent); the villages of Caledonia and Sparta (1.31 percent); and the townships of Algoma, Alpine, Byron, Cannon, Grattan, Nelson, Oakfield, Plainfield, and Tyrone (2.41 percent). These figures were then applied to the average combined tax levies for each municipality type (i.e., city, township, village) and distributed as a percentage of the overall property tax levy.

Local Unit KCLBA Activity (2012 - 2016)				
Location	Properties	Percentage	5/50 Revenue	Percentage
Grand Rapids	415	90.81%	\$479,518	87.26%
Other Cities (5)	25	5.47%	\$42,656	7.76%
Villages (2)	6	1.31%	\$7,477	1.36%
Townships (9)	11	2.41%	\$19,875	3.62%
<b>Total</b>	<b>457</b>	<b>100.00%</b>	<b>\$549,526</b>	<b>100.00%</b>

Once the amount of revenue received from each municipality was estimated, it was possible to break the overall tax levy into its component parts by jurisdiction. **Appendix 1** in this report details the full methodology and calculations used for this analysis.



Overall, in the first six years of operation, it is estimated that the County contributed almost \$68,000 of its property tax levy to the KCLBA (approximately \$51,500 from the General Property Tax levy and \$16,500 from the three dedicated millages). Also, while local school operating millages were the single biggest contributor to the KCLBA's 5/50 revenue total, this loss was indirectly replaced through the State of Michigan School Aid Fund allocation; revenue diverted from local school debt millage levies, however, was not returned to those districts.

**Additional Funding and Revenue Sources.** The Grand Rapids Community Foundation was an important source of initial financing for the Authority when they provided the KCLBA with a \$70,000 grant in 2011. This financing allowed the Authority to purchase and sell nine properties and to hire an Executive Director. The Grand Rapids Community Foundation again financed the Authority in April 2012 and in June 2013 in the form of program related investments (PRIs), which are low-interest loans made from the endowment of the Foundation. The 2012 PRI (\$400,000) enabled the Authority to acquire approximately 40 properties. The 2013 PRI (\$600,000) enabled the Authority to acquire all tax foreclosed properties in the City of Grand Rapids during that year's tax-reversion cycle.

Additionally, the Authority has received approximately \$2.5 million in bank financing since 2012. While bank financing has played a major role in the operations of the Authority, its importance will diminish as 5/50 revenue grows along with the number of properties disposed of by the Authority each year.

The Authority has also received significant funding by leveraging funds from a variety of public sources. Since 2012, the KCLBA has leveraged more than \$6 million in funding from the United States Environmental Protection Agency, the Michigan Department of Environmental Quality, and the Hardest



Hit Fund. This funding provided for significant environmental remediation on highly contaminated properties as well as the demolition of several dozen heavily blighted structures.

The following table is a snapshot of income, expenses, and profit for the KCLBA since it began operations in 2011. Please note that the “cost of goods sold” category includes expenses borne by the Authority when acquiring and/or redeveloping property. Additionally, it should be noted that the “administrative expenses” detailed below includes payroll, rent, and utilities for office space, communications and marketing, accounting and legal fees, and other costs related to the operation of the Authority.

As the table below shows, the Authority’s income has leveled at a little more than \$3 million annually, with the bulk of its funding going toward the purchase and redevelopment of tax foreclosed and other properties.

<b>KCLBA Budget History</b>					
<b>Date (Jan - Dec)</b>	<b>Income</b>	<b>Cost of Goods Sold</b>	<b>Gross Profit</b>	<b>Administrative Expenses</b>	<b>Net Income</b>
2011	\$221,922		\$221,922	\$48,059	\$173,863
2012	\$1,016,864	\$647,241	\$369,623	\$244,650	\$124,973
2013	\$2,598,402	\$2,175,160	\$423,242	\$377,496	\$45,746
2014	\$3,597,738	\$2,961,600	\$636,138	\$474,403	\$161,736
2015	\$3,421,046	\$2,510,736	\$910,310	\$563,019	\$347,291
2016	\$3,292,136	\$2,640,805	\$651,331	\$501,728	\$149,603

Source: KCLBA Annual Profit and Loss Statements, 2012 – 2016

**KCLBA Property Acquisition Process.** Staff from the KCLBA annually contact each Kent County municipality with tax foreclosed property and offer to work in partnership to redevelop the property. To date, the KCLBA has partnered with the cities of Grand Rapids, Grandville, Kentwood, Lowell, Walker and Wyoming; the villages of Caledonia and Sparta; and the townships of Algoma, Alpine, Byron, Cannon, Grattan, Nelson, Oakfield, Plainfield, and Tyrone.

The highest level of partnership between the KCLBA and units of local government is with the City of Grand Rapids, which contains more than 90 percent of the tax-reverted properties in Kent County. Since 2013, the City and the KCLBA have annually entered into an agreement whereby the City exercises its right of first-refusal on all tax-reverted properties in the City and conveys them to the Authority for the minimum bid price. The City of Grand Rapids utilizes the KCLBA to ensure that the properties are brought up to code prior to being resold, and uses the Authority rather than City staff resources to facilitate and oversee the redevelopment, (and, when necessary, environmental remediation) of conveyed property. City staff have stated that the Authority is a useful tool toward creating and preserving safe and well-maintained neighborhoods, and its involvement has resulted in an increase in the long-term taxable value associated with those properties, providing additional tax revenue for the City once the parcel is returned to productive use.

**KCLBA Property Sale Process.** The Authority states that it follows best practices and traditional real estate sales models utilized by the private sector in its sale and disposal process. This process includes utilizing real estate agents licensed by the State of Michigan, listing properties on the Multiple Listing

Service website, allowing buyers to do complete inspections of properties prior to finalizing a purchase offer, and allowing any form of financing for purchase and/or renovation of properties conveyed to the Authority.

The Authority uses specific guidelines when selecting buyers to acquire and redevelop properties that have been conveyed to the KCLBA. Interested buyers are required to submit the following:

- A proposed purchase price for the property
- A written scope of repairs for the property
- Proof of financing to purchase and renovate the property
- Proof of experience completing similar renovation projects
- Any buyer and/or redeveloper must be in good standing with the unit of local government on other properties owned within its jurisdiction

All properties sold by the KCLBA remain on the market for a minimum of 20 days in order to give all interested buyers the time and opportunity to view the property and develop a written scope of repairs. When reviewing purchase agreements submitted by interested parties, KCLBA staff consider both the proposed purchase price as well as the scope of work proposed for the property. Given the Authority's goal of redeveloping property into its best possible use, staff will often accept a purchase agreement that has a wider scope of work but is not necessarily the highest purchase offer.

**KCLBA Partnership with Nonprofits.** The KCLBA has worked in partnership with the nonprofit group Habitat for Humanity of Kent County on several occasions. Given that the Habitat for Humanity's business model is generally to build new houses on vacant land, the Authority will often work with Habitat for Humanity on residential properties that need to be demolished. After the structure is removed and the site is clear, the Authority will transfer the land to Habitat for Humanity, which in turn will build a new single-family home at that location.

The KCLBA has also worked with other local nonprofit groups in the Grand Rapids area, including Westtown Jubilee Housing, Inner City Christian Fellowship, Well House, LINC Community Revitalization, and Dwelling Place.

**KCLBA Partnership with Banks.** The KCLBA has also worked with a number of banking institutions to accept bank foreclosed properties which were in need of significant redevelopment. In cases when banks foreclose after owners stop paying their mortgage, the bank becomes responsible for the management and upkeep of that property. Banks are often not in a position to remediate blight or facilitate redevelopment of foreclosed properties. In these instances, banks will often convey property to the KCLBA for little or no cost in order to be free from the property taxes, maintenance and/or blight liabilities.

**KCLBA Quiet Title Services.** The same legislation that enabled the establishment of land bank authorities in Michigan also allows them to expedite quiet title for property located within their jurisdiction. The purpose of the quiet title process is to extinguish liens or other adverse interests attached to the property in order to facilitate sale to new owners. Property liens are often a major roadblock to a transfer of ownership, redevelopment, and acquiring financing.

The KCLBA provides quiet title actions for property located in Kent County slated for redevelopment. During an average year, the Authority approves between four and six quiet title action requests. Quiet title actions are not a significant revenue source for the Authority.

## IV. KCLBA Accomplishments

**KCLBA Economic Impact.** The KCLBA reports that it has had more than \$40 million in economic impact on Kent County. The Authority has also reported:

- More than 800 properties received via purchase or donation
- More than 450 properties returned to productive and taxable use
- Facilitated \$31.6 million in private sector construction contracts
- Facilitated \$5.6 million in nonprofit redevelopment and new construction
- Completed more than \$8.6 million in total property sales
- Paid more than \$500,000 in real estate commissions
- Secured more than \$3.5 million in grant funds for demolition of problem properties
- Secured more than \$2.9 million in grant funding from the Environmental Protection Agency and the Michigan Department of Environmental Quality to clean up highly contaminated properties

**Properties Acquired, Sold, and Owned.** The following table details the number of properties acquired, sold, and deeded to but still owned by the Authority each year since it began operations.

Total KCLBA Property Activity						
Year	2012	2013	2014	2015	2016	Total
Acquired	39	156	167	161	145*	832
Sold	38	120	139	112	48	457
Owned**	1	36	28	49	261	375
*Excludes 164 undevelopable parcels conveyed by the City of Grand Rapids						
**Includes all properties deeded to the Authority but not yet re-sold						

**Leveraged Funds.** The Agency has taken advantage of a number of state and federal grant programs for demolition and environmental remediation since 2011, bringing in more than \$6 million in funding. A few of the Authority's major grant projects are detailed below:

- **Hardest Hit Demolition Fund** - \$2.5 million in federal funding to demolish and remediate approximately 45 heavily blighted properties throughout the City of Grand Rapids
- **US Environmental Protection Agency** - \$1 million from the EPA "Superfund" to remediate the former Hard Chrome Plating Facility
- **Michigan Department of Environmental Quality (Former Clark's Gas Station)** - \$1.25 million in State funding for the removal of a 20,000-gallon underground fuel storage tank and excavated contaminated soil
- **Former Sparta Foundry** - \$1.75 million from the Michigan Department of Environmental Quality and the U.S. Environmental Protection Agency to demolish the existing building and remediate the site

**"Orphan" Properties.** The KCLBA has assisted several jurisdictions with disposing of undevelopable or land-locked properties that consist of side lots and small slivers of land. In cases such as these, the KCLBA will accept properties which are generally undevelopable because of their location or size, and attempt to transfer them to an adjoining property owner at no cost. This is beneficial to units of local government because the properties will no longer be municipally owned and will generate additional, albeit small, taxable value. In 2016, the City of Grand Rapids paid the KCLBA \$200,000 to accept 164

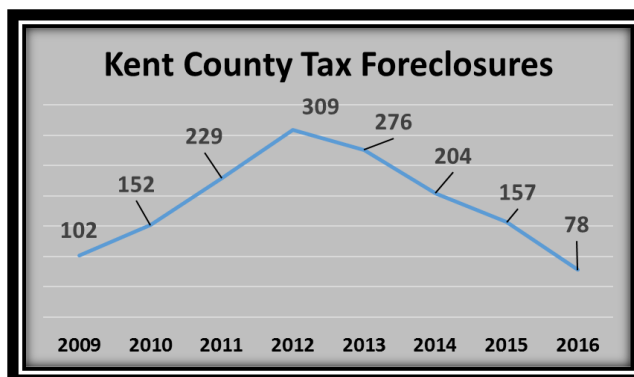
undevelopable parcels. Other jurisdictions, including Plainfield Township, have partnered with the KCLBA for disposing of a small number of these type of properties.

## V. Findings and Recommendations

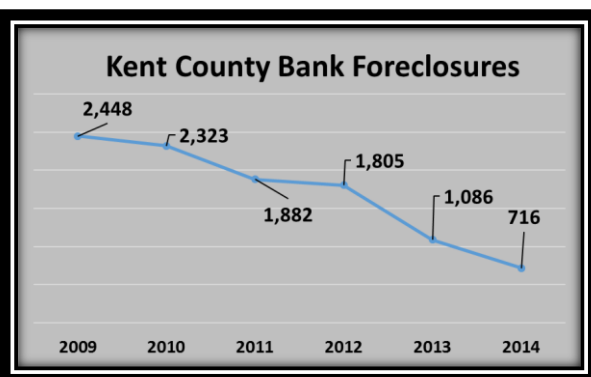
In the process of completing its charge, the Subcommittee spent considerable time reviewing the land bank enabling legislation, the tax reversion foreclosure process, the process by which the KCLBA acquires and sells properties, and foreclosure activity both at the time the KCLBA was created and the present. The following are the key findings resulting from those discussions.

**Governance and Authority.** The KCLBA is an independent entity, and once created, the County's authority over it is limited to appointing the KCLBA Board members and directing the Treasurer to withdraw from the Agreement, which would result in the dissolution of the KCLBA. In the absence of a local land bank authority, the functions and services performed by the KCLBA could be provided by the State of Michigan Land Bank Authority, should it chose to do so. The County also has the ability to determine how it wishes to interact with the KCLBA with respect to acquiring properties and selling them to the KCLBA, as it did in 2013.

**Benefits to Housing Market.** The Subcommittee reviewed the original economic conditions that led to the creation of the KCLBA in 2009. As previously discussed, when the KCLBA was created, Michigan and the United States were in the midst of a deep economic recession that severely impacted the housing market. At that time, Kent County tax foreclosures had increased from 102 in 2009 to 229 in 2011, with other regions in Michigan experiencing unprecedented levels of foreclosure activity. The charts below detail the total number of bank and tax foreclosures in Kent County since 2009.



Source: The Office of the Kent County Treasurer.



Source: *The Michigan Historical Residential Foreclosure Data Project*, Community Research Institute, Grand Valley State University, August 2016.

There was a general consensus among Subcommittee members that the KCLBA has been beneficial and was instrumental in minimizing the negative impact of the housing foreclosure crisis on the County and its municipalities. As a result, much the Subcommittee's discussion focused on whether the recovery of the housing market has eliminated the need for the KCLBA. Input to and discussion by the Subcommittee centered around the fact that the housing market is cyclical in nature and will not always be as robust as it is now. Should the housing market ever regress in a manner similar to the Great Recession, foreclosures will again increase and the demand for the Authority's services will rise.

**Stakeholder Input.** As mentioned above, the Subcommittee solicited input from multiple stakeholders and interested persons. Each individual was given the opportunity to respond to the following questions both in writing and in person before the Subcommittee:

- What do you see as the benefits and/or disadvantages of the KCLBA to your community, industry, or constituency?
- Do you believe the goals of the program (preventing and addressing blight, expediting property redevelopment, and increasing the taxable value of property) are still relevant? Why or why not?
- Do you believe the KCLBA is making a positive contribution to addressing these goals? Why or why not?
- Are there changes to the way the KCLBA operates you would like to suggest to the County or the KCLBA?

In general, most of the feedback was positive. Representatives from Plainfield Township and the City of Grand Rapids both stated that the KCLBA provides a useful mechanism to mitigate heavily blighted property. They noted the KCLBA has also been helpful in addressing undevelopable or land-locked properties. Nonprofit housing providers stated that the Authority has become an important partner toward achieving their goals of providing long-term sustainable housing for lower income individuals, and by allowing nonprofits to concentrate resources in a specific area to impact an entire block in a neighborhood of decline. Banking officials stated that working with the Authority on the disposition of foreclosed property has also been very positive, and multiple stakeholders noted the benefits of the KCLBA's ability to clear title quickly and less expensively than the traditional process. Several stakeholders also reflected on the Authority's ability to leverage grant funding to remediate environmentally contaminated property. Not all feedback received by the Subcommittee was positive; some members of the community who opposed the formation of the KCLBA back in 2009 re-stated their ongoing concerns that the KCLBA competes with private market housing developers and diverts property tax revenue from its intended source. In March 2017, the Grand Rapids Association of REALTORS (GRAR) released a position paper on the KCLBA. The Association acknowledged that the Great Recession necessitated the creation of the Authority, but stated that it has become increasingly concerned that the role and purpose of the KCLBA has expanded beyond its original mission and is working in competition with private sector businesses. GRAR also noted that they are unaware of any time when local housing inventory has been as disparate to buyer demands as it is now, and that the listing inventory in the greater Grand Rapids area is at 25 percent of what it should be in an ideal market.

Stakeholder suggestions for the Authority ranged from increasing education and awareness of KCLBA services, expanding the role of the KCLBA to assist other communities in establishing and operating a land bank, and encouraging the Authority to continue building partnerships with non-profits and municipalities in Kent County. Several stakeholders commented on the need for greater transparency and encouraged the KCLBA to continue to partner with the private-sector real estate, development, or construction trades. Alternatively, other suggestions included increasing access to tax foreclosed properties by the private sector, encouraging the State Legislature to change the way land bank authorities are funded, and eliminating the Authority altogether.

**Recommendations.** The Subcommittee makes the following recommendations:

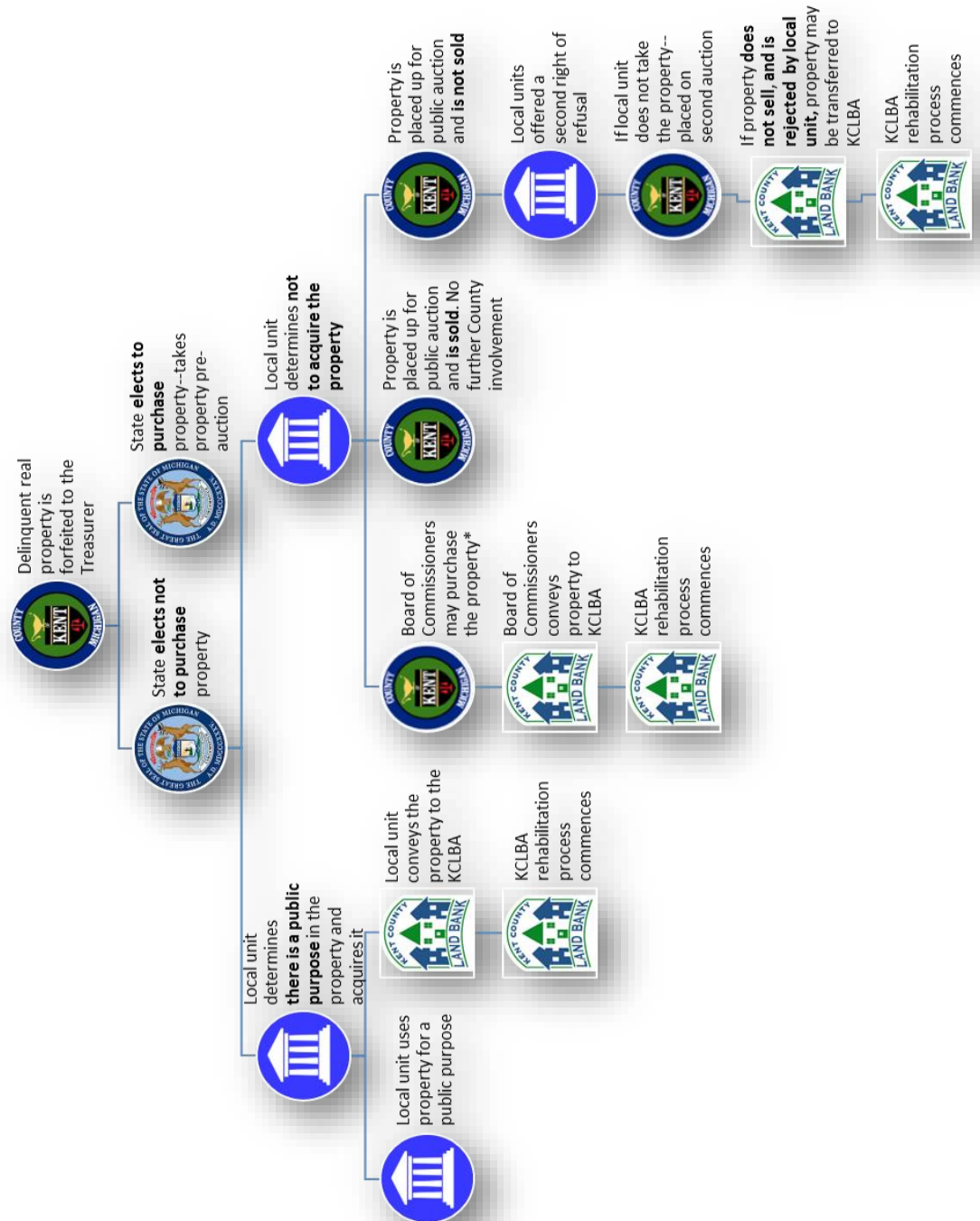
1. **Increase Transparency.** The KCLBA should continue to take steps to become more transparent in its operations, including making available on its website and in an annual report to the Board

of Commissioners its policies for soliciting and awarding contracts, the number of parcels it has acquired and sold, the sources and amounts of its revenues, and its uses. Tax revenues received pursuant to Public Act 260 of 2003 (also known as 5/50 revenue) should be reported by taxing entity and made publicly available annually, as well.

2. **Mission Creep.** The KCLBA should avoid expanding its mission in an attempt to address other areas that impact home ownership and housing affordability. Focus should remain on the central mission under which the KCLBA has operated since its inception, including addressing blighted and significantly distressed properties.
3. **Property Conveyance.** As the housing market continues to improve, the KCLBA should not accept any properties from local units of government unless the property has first been made available at a public auction within the prior three years, unless there is return to the 2009-2010 rate of tax foreclosure activity or unless there are special circumstances requested for consideration by the local unit.
4. **Lead Remediation.** The KCLBA should follow the recommendations of the Lead Task Force regarding renovation and/or transfer of properties. The Lead Task Force is expected to release its recommendations in late 2017.
5. **Continue Private-Public Partnerships.** The KCLBA should continue to use private sector realtors, developers, and construction trades in redeveloping properties and not duplicate trades and services already occurring in the private sector. Additionally, the KCLBA should continue to work with nonprofits, State and local granting agencies, and other relevant parties to address blighted and environmentally sensitive properties.
6. **Strategic Planning.** The KCLBA should re-engage its stakeholders and the community to complete its strategic planning process and identify and implement policies to increase access to tax foreclosed properties by the private sector.
7. **Legislative Priority.** The Subcommittee recommends that the Legislative and Human Resources Standing Committee consider making the funding structure of land banks a subject of a future Legislative Priority. Specifically, the Subcommittee recommends that the County request the State Legislature remove the mandate that land bank authorities receive the full 5/50 tax revenue without the ability to return it to the taxing jurisdiction, and require that any specially voted millages (including school millages) remain with the taxing jurisdiction.
8. **Future Review:** The Board of Commissioners should review the continued need for the KCLBA in three years (2020).

## Attachment I

### Kent County Land Bank Authority Tax Foreclosure Process



## Attachment II

### Land Bank Authority Powers

The general purpose of land banks, under Act 258 of 2003, is to assist governmental entities in the acquisition, assembly, and clearance of title to property in a coordinated manner; to facilitate the use and development of certain property; and to promote economic growth.

In general, land bank authorities in Michigan have the following powers and duties:

- **Quiet Title:** The Act sets a process for accelerated quiet title and foreclosure proceedings which are intended to expedite the process of returning the property to productive use.
- **Property Rights:** A land bank has the same rights as a property owner (hold and manage the property) for the economic benefit of the community.

Specific powers and duties include but are not limited to the following:

- Adopt, amend, and repeal bylaws for the regulation of its affairs and the conduct of its business.
- Sue and be sued in its own name.
- Borrow money and issue bonds and notes.
- Enter into contracts and other instruments necessary, incidental, or convenient to the performance of its duties and the exercise of its powers.
- Solicit and accept gifts, grants, labor, loans, and other aid.
- Procure insurance against loss in connection with the property, assets, or activities of the authority.
- Invest the money of the authority.
- Study, develop, and prepare the reports or plans the authority considers necessary to assist it in the exercise of its powers under this act and to monitor and evaluate progress under this act.
- Enter into contracts for the management of, the collection of rent from, or the sale of real property held by an authority.
- Do all other things necessary or convenient to achieve the objectives and purposes of the authority or other laws that relate to the purposes and responsibility of the authority.
- Acquire property or rights or interest in property from 1) the Department of Natural Resources under section 2101 or 2102 of the Natural Resources and Environmental Protection Act; 2) A foreclosing governmental unit under the General Property Tax Act; or 3) the Michigan State Housing Development Authority.

Additionally, pursuant to Act 259 of 2003, property owned by a land bank is considered blighted under the Brownfield Redevelopment Act and eligible for inclusion in a brownfield plan.



## Appendix 1

### 5/50 Revenue Analysis Methodology

In order to estimate the amount of 5/50 revenue diverted from each specific millage levied throughout Kent County, it is necessary to break down each millage as a percentage of an overall property tax obligation. The following table details property tax rates for the City of Grand Rapids, and averages the tax rates for the other types of municipalities that have partnered with the KCLBA. It is important to note that the only millages averaged in the table below are local operating, school operating, and school debt. It is also important to note that the City of Grand Rapids does not assess a separate library millage, and villages and townships are not assessed for Rapid Transit. Also, while local school operating millages were the single biggest contributor, this loss was indirectly replaced to the school through the State of Michigan School Aid Fund allocation.

<b>Local Millages</b>								
	<b>City of Grand Rapids</b>		<b>All Other Cities Averaged (5)</b>		<b>All Villages Averaged (2)</b>		<b>All Townships Averaged (9)</b>	
	<b>Millage</b>	<b>% of Total Mills</b>	<b>Millage</b>	<b>% of Total Mills</b>	<b>Millage</b>	<b>% of Total Mills</b>	<b>Millage</b>	<b>% of Total Mills</b>
<b>County Operating</b>	4.2803	9.20%	4.2803	9.87%	4.2803	10.13%	4.2803	12.16%
<b>County Jail</b>	0.7893	1.70%	0.7893	1.82%	0.7893	1.87%	0.7893	2.24%
<b>County Seniors</b>	0.5	1.07%	0.5	1.15%	0.5	1.18%	0.5	1.42%
<b>County Veterans</b>	0.05	0.11%	0.05	0.12%	0.05	0.12%	0.05	0.14%
<b>Local Operating</b>	9.1166	19.59%	9.5818	22.10%	9.222	21.82%	2.0419	5.80%
<b>Rapid Transit</b>	1.4688	3.16%	1.4688	3.39%	0	0.00%	0	0.00%
<b>Library</b>	0	0.00%	1.28	2.95%	1.28	3.03%	1.28	3.64%
<b>KISD</b>	4.7903	10.30%	4.7903	11.05%	4.7903	11.33%	4.7903	13.61%
<b>GRCC</b>	1.7865	3.84%	1.7865	4.12%	1.7865	4.23%	1.7865	5.08%
<b>State ED</b>	6	12.90%	6	13.84%	6	14.19%	6	17.05%
<b>School Operating</b>	12.9949	27.93%	7.9310	18.29%	6.575	15.55%	6.6046	18.77%
<b>School Debt</b>	4.75	10.21%	4.902	11.31%	7	16.56%	7.0733	20.10%
<b>Total</b>	<b>46.5267</b>	<b>100.00%</b>	<b>43.36</b>	<b>100.00%</b>	<b>42.273</b>	<b>100.00%</b>	<b>35.1962</b>	<b>100.00%</b>

Source: 2016 Kent County Certified Property Tax Rates

Once each millage has been broken down as a percentage of a given property tax bill, it becomes possible to provide a revenue analysis that details the millage source of 5/50 revenue received by the KCLBA. The table below details each millage specifically affected by KCLBA 5/50 revenue and provides the amount of revenue diverted from its original destination. As the table below shows, between 2012 and 2016, Kent County collected \$67,614 less in revenue across the four millages assessed specifically for County purposes.

<b>5/50 Revenue Source</b>		
<b>County Operating</b>	<b>\$51,499</b>	<b>9.38%</b>
<b>County Jail</b>	<b>\$9,497</b>	<b>1.73%</b>
<b>County Seniors</b>	<b>\$6,016</b>	<b>1.10%</b>
<b>County Veterans</b>	<b>\$602</b>	<b>0.11%</b>
<b>Local Operating</b>		
<b>Grand Rapids</b>	<b>\$93,958</b>	<b>17.11%</b>
<b>Other Cities (5)</b>	<b>\$9,426</b>	<b>1.72%</b>
<b>All Villages (2)</b>	<b>\$1,631</b>	<b>0.30%</b>
<b>All Townships (9)</b>	<b>\$1,153</b>	<b>0.21%</b>
<b>Rapid Transit</b>	<b>\$16,583</b>	<b>3.02%</b>
<b>Library</b>	<b>\$1,982</b>	<b>0.36%</b>
<b>KISD</b>	<b>\$57,635</b>	<b>10.49%</b>
<b>GRCC</b>	<b>\$21,494</b>	<b>3.91%</b>
<b>State ED</b>	<b>\$72,190</b>	<b>13.14%</b>
<b>School Operating</b>	<b>\$146,624</b>	<b>26.69%</b>
<b>School Debt</b>	<b>\$59,010</b>	<b>10.74%</b>
<b>Total</b>	<b>\$549,300</b>	<b>100.00%</b>