

The Impact of Government Enforcement Systems On The Economics of Acquiring Abandoned Property

Example: Four suite brick apartment building

Owner: Frank Ford

Constructed 1920

Vacant for 5 years - severe deterioration

Tax Delinquent for 5 years

Has Asbestos in the heating system

A Community Development Corporation (CDC) is attempting to assemble 10 parcels of land for new housing development.

They want to buy my building and demolish it to clear the land.

Under A Dysfunctional System	Under a Well-Functioning System	Cleveland Today
<p>The building hasn't been inspected and I'm not worried that it will be.</p> <p>Even if it is inspected, it will most likely be an exterior walk-around inspection, documenting only minor violations - less costly to me.</p>	<p>A complete interior and exterior inspection is conducted on vacant structures within 90 days of being reported vacant.</p>	<p>Cleveland has dramatically stepped up its rate of inspection.</p>
<p>Even if the City does get a search warrant for an interior inspection, I'm not worried about condemnation and demolition. Since the City has little funding for demolition, housing inspectors are reluctant to condemn.</p>	<p>Buildings are condemned when warranted, regardless of whether they are to be demolished or renovated, as an important documentation of their condition. The City budgets sufficient funding for demolition to keep pace with need.</p>	<p>Cleveland has tripled its funding for demolition and rate of demolition. Buildings are (in theory) condemned without automatically being demolished. Condemnations are now being filed with an "Affidavit of Fact" at the County Recorder, to help stop fraudulent flipping and lending.</p>
<p>I haven't paid my property taxes for 5 years, and I'm not worried about the County filing a tax foreclosure.</p> <p>Even if the County does file a tax foreclosure, it could take 3 years to go through a back-logged court system.</p>	<p>Tax foreclosures are filed and pursued diligently.</p>	<p>Cuyahoga County is aggressively pursuing a new "fast-track" administrative foreclosure procedure where cases are filed at the Board of Revision instead of in the County Court. (Time = now only months)</p>
<p>So, I'm in no hurry. I tell the CDC - you want my building, it's your's for \$100,000.</p>	<p>Possible scenarios: 1. City demolishes - \$35,000 demo & asbestos removal lien. 2. City pursues debt collection - \$35K judgment lien on my house 3. City forecloses on its demo lien → Land Bank. 4. County forecloses on its tax lien → Land Bank.</p>	<p>Possible scenarios: Scenarios 1,2 and 4 at left, plus CDC files a receivership action and eventually takes title by foreclosing on its receiver's lien.</p>
<p>CDC cost to obtain site control: Purchase price \$100,000 Demolition 20,000 Asbestos removal 15,000 Delq Taxes 10,000 TOTAL 145,000</p>	<p>CDC cost to obtain site control: Purchase price \$100 from City Land Bank.</p>	<p>CDC cost to obtain site control: Purchase price \$100 -City Land Bank. Receivership option - CDC obtains title for cost of litigation \$7,500 + demolition \$20,000 + asbestos removal \$15,000 = 32,500.</p>
<p>Variation on the Above: The CDC is dealing with a subprime lender that holds title through foreclosure, or holds a first lien on the property. In the left column the lender says: you want the building, pay off the outstanding loan amount of \$100,000. In the middle and right columns the mortgage lien is wiped out by foreclosure of other liens that are higher in priority.</p>		