



BIENNIAL REPORT
OF THE
MICHIGAN LAND BANK
FAST TRACK AUTHORITY
OF THE
STATE OF MICHIGAN
FOR THE
BIENNIAL PERIOD
BEGINNING OCTOBER 1, 2014
ENDING SEPTEMBER 30, 2016

LETTER OF TRANSMITTAL

To the Honorable Legislature of the State of Michigan:

In accordance with the provisions of MCL 124.772, we submit the Report of the Land Bank Fast Track Authority for the biennial period of October 1, 2014, through September 30, 2016.

Roger Curtis, Director
Department of Talent and Economic Development
Pursuant to Executive Order 2014-12 Dated December 18, 2014

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EXECUTIVE SUMMARY

In fiscal years 2015 and 2016, the Michigan Land Bank Fast Track Authority (MLB) continued to provide a significant level of service to communities across the state of Michigan while in the midst of transition pursuant to Executive Order 2014-12 dated December 18, 2014, moving the MLB from the Michigan State Housing Development Authority (MSHDA) to the newly formed Department of Talent and Economic Development (TED) and more recently Executive Order 2016-23 dated November 30, 2016, reinstating the MLB Board of Directors that was abolished by Executive Order 2014-8. This reporting period has also seen a reduction in MLB staff to its lowest levels since 2010.

The MLB was able to sustain its level of service by utilizing past experiences and accomplishments administering large scale federal and state blight elimination initiatives across the state of Michigan. These successes have created new opportunities to oversee demolition and economic development projects. For example, the MLB partnered with four cities under the Help for Hardest Hit Fund Program (HHF) where approximately \$11 million is being expended to demolish over 600 dilapidated, residential structures in the cities of Pontiac, Highland Park, Hamtramck and Inkster. Additionally, stemming from a 2012 partnership with the Department of Health and Human Services (DHHS) and the MSHDA, the MLB initiated a statewide blight elimination program totaling \$25 million that demolished over 2,000 residential and commercial structures. The MLB was able to build upon that success with two more rounds of funding in 2015 and 2016 totaling \$4.7 million. The funding was utilized throughout the state and over 225 more residential and commercial structures were demolished.

Similar to the legislative transfer of the State Fairgrounds to the MLB back in 2012, the MLB received the former Detroit House of Corrections (DeHoCo), located in Plymouth Township, from the Michigan Department of Corrections in August 2015. The DeHoCo site sat vacant for several years and has approximately 20 crumbling, derelict structures occupying more than 50 acres of developable land. Utilizing its many tools, including funding, clearing title, procuring contractors, marketing, and final sale to a developer or purchaser, the MLB is an excellent resource to prepare the property for future development. The MLB will clear the site of the structures to enhance the property for future development.

The MLB has several powers that allow it to positively impact economic development by focusing on bringing blighted properties back to productive use. The MLB intends to continue this work with more intense support and collaboration with the Michigan Association of Land Banks (MALB), the Center for Community Progress, and the thirty-eight local land banks that now exist statewide by concentrating efforts on leadership, education, and policy.

PURPOSE AND SCOPE OF MLB ACTIVITIES

Legal Authority

Public Act 258 of 2003, known as the “Land Bank Fast Track Act” (Act), MCL 124.751-124.774, inclusive, was signed into law on January 5, 2004, with immediate effect.

In summary, the Act is to provide positive economic impact while addressing the problems related to Michigan’s property tax reversion processes.

The main purposes of the Act is to:

- Create the MLB and Board of Directors.
 - *(The first state-wide Land Bank Authority ever created in the country.)*
- Allow the MLB to enter into Intergovernmental Agreements with the Michigan Economic Development Corporation (MEDC), MSHDA, and for the creation of local land bank authorities by counties, a qualified city, or multiple counties under certain circumstances.
- Provide land bank authorities with all the powers and tools needed to act, to receive property and gifts, and to return tax reverted property to the tax rolls.
- Establish procedures for an expedited quiet title and foreclosure action by an authority.
- Allow a county or qualified city that forms an authority to make a limited tax pledge to support its bonds or notes or, with voter approval, pledge its unlimited tax full faith and credit.
- Establish the “Land Bank Fast Track Authority Fund” to receive funds from properties sold and for the financing and bonding of permitted activities of the MLB.
- Repeal the Tax Reverted Property Emergency Disposal Act.

Legislative Amendments Affecting the MLB

The Michigan Legislature amended MCL 211.1025 in June 2016 to provide that if an eligible tax reverted property specific tax or any applicable collection fee or interest for an eligible tax reverted property has not been paid for two or more years on the date the eligible tax reverted property is returned as delinquent under this subsection, the eligible tax reverted property shall be forfeited to the county treasurer upon its return and is subject to foreclosure and sale at the same time and in the same manner as other property forfeited under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

The Michigan Legislature also enacted 2016 PA 116 which amended MCL 124.768, to read as follows, “The state treasurer shall transfer all money in the Urban Land Assembly Loan Fund created under former 1981 PA 171 to the fund, and close the Urban Land Assembly Loan Fund. Any loan repayments that would otherwise be made to the Urban Land Assembly Loan Fund shall be made to the fund.” The Urban Land Assembly (ULA) funding is approximately \$4.1 million.

To see Executive Orders affecting the MLB, see the Governance section.

Scope of Activities

The statutory scope of activities for the MLB is found at MCL 124.754, Powers, Sec. 4. In summary, the Act empowers the MLB to own, accept, acquire, and hold property through gift, transfer, or other conveyance methods. It also allows the MLB to manage, sell, exchange, lease, option, renovate, develop, and demolish properties within its inventory, and to employ other legal means as prescribed by the Act. All MLB properties qualify for the Brownfield designation and are eligible for funding through the Brownfield Redevelopment Act (Act 381). Program operations are funded through property sales, a five-year 50% tax recapture, and an appropriation from the State's general fund.

The MLB, pursuant to MCL 124.754, may also solicit and accept gifts, grants, labor, loans, and other assistance from any person, the federal government, this State, or a political subdivision of this State or participate in any other way in a program of the federal government, this State, a political subdivision of this State, or an intergovernmental entity created under the laws of this State.

The MLB may convey property in a manner and for an amount of consideration that it considers to be proper, fair, valuable, and in the best interest of the community and this State. The MLB may borrow money, solicit and accept grants and loans from any person, governmental entity or other funding source, and retain proceeds it receives from the sale or rental of property in order to execute MLB goals, objectives, and responsibilities. The MLB may enter into contracts, procure goods and services, and employ legal and technical experts. The MLB may initiate an expedited quiet title action for real property held under its jurisdiction and may procure insurance.

The MLB works cooperatively with local units of government and the private sector to effectively create opportunities for economic growth within the manufacturing, industrial, commercial, retail, housing, and public use arenas.

The MLB is prohibited by statute from:

- Assisting or expending any funds for, or related to, the development of a casino.
- Levying any tax or special assessment.
- Exercising the power of eminent domain or condemnation of property.

The MLB's vision is to be the lead agency to strategically manage all State surplus property. Property, as an asset and commodity, will be returned to productive use consistent with each community's land-use goals. Partners, both public and private, will actively work with the MLB to utilize its enhanced development tools and comprehensive database to promote economic development throughout the state of Michigan.

The MLB's mission is to stimulate economic growth and community revitalization, in a strategic manner, by fostering creative partnerships and utilizing land bank tools in order to restore property to productive use.

Furthermore, the MLB:

- Acquires and assembles properties to support development and promote economic growth in Michigan;
- Manages an inventory of surplus public property;
- Disposes of public property in a transparent manner that ensures that the development of such property positively contributes to communities;
- Authorizes the existence of county land banks and acts as a resource to other land banks; and
- Collaborates with developers, non-profit organizations, economic and community development corporations, and state and local units of government on development projects.

GOVERNANCE

Board of Directors

The MLB has been subject to multiple executive orders since its creation in 2003. Each executive order has brought new challenges, but more importantly, new opportunities and relationships that have provided the MLB with a broad insight across state government.

Executive Order 2010-2 - Moved the MLB from the Department of Energy, Labor, and Economic Development to the Department of Treasury.

Executive Order 2011-4 - Moved the MLB from the Department of Treasury to the Michigan Strategic Fund.

Executive Order 2013-8 - Moved the MLB from the Michigan Strategic Fund to the Michigan State Housing Development Authority (MSHDA).

Executive Order 2014-8 - Abolished the MLB Board of Directors as well as its office of the Executive Director.

The most recent executive orders that are relevant to the time frame of this report are as follows;

Executive Order 2014-12 - Moving the MLB from MSHDA to the newly created Department of Talent and Economic Development.

Executive Order 2016-23 - Reconstituting the MLB Board of Directors.

Gov. Rick Snyder issued **Executive Order 2014-12** in December 2014 stating, “All of the powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the State Land Bank Fast Track Authority created under Section 15 of the Land Bank Fast Track Act, 2003 PA 258, MCL 124.765, are transferred from the Executive Director of the Michigan State Housing Development Authority to the Director of the Department, except for revenue bonding powers. Any revenue bonding powers of the State Land Bank Fast Track Authority are transferred to the Michigan Strategic Fund.”

Gov. Rick Snyder issued **Executive Order 2016-23** in November 2016 stating, “The Board of Directors of the State Land Bank Fast Track Authority, established by MCL 124.767[sic], but abolished by Executive Order No. 2014-8, is reestablished. The Board of Directors shall consist of the following:

- The Director of the Department of Talent and Economic Development or his or her designee from within the Department of Talent and Economic Development;
- The State Treasurer or his or her designee from within the Department of Treasury;
- The Director of the Department of Transportation or his or her designee from within the Department of Transportation;
- The Director of the Department of Environmental Quality or his or her designee from within the Department of Environmental Quality; and
- The Director of the Department of Technology, Management and Budget or his or her designee from within the Department of Technology, Management and Budget.

Any and all authority, powers, duties, responsibilities, and functions vested in the Board of Directors of the State Land Bank Fast Track Authority, originally established by MCL 124.766, but previously transferred to the Executive Director of the Authority in Section II of Executive Order 2014-8, and transferred to the Director of the Department in Section VII of Executive Order 2014-12, are transferred to the Board of Directors established under Section III.A of this Order. The Board of Directors shall exercise the powers, duties, and functions of the State Land Bank Fast Track Authority as provided by this Order and the Land Bank Fast Track Act, 2003 PA 258, MCL 124.751 et seq.

Local Land Bank Intergovernmental Agreements

The MLB may authorize and empower local land bank authorities by entering into intergovernmental agreements with county treasurers who have opted in as their own Foreclosing Governmental Unit. As a designated Qualified City, the Act also authorizes the City of Detroit to enter into an intergovernmental agreement with the MLB to establish a land bank authority. Since the establishment of the MLB the following governmental entities have been approved to create and operate local land bank authorities:

Fiscal Years 2005 & 2006 - Genesee County, Ingham County, Saginaw County, Wayne County, Grand Traverse County, Calhoun County and Jackson County.

Fiscal Years 2007 & 2008 - Berrien County, Arenac County, Cass County, Gladwin County, Leelanau County, Muskegon County and City of Detroit.

Fiscal Years 2009 & 2010 - Emmet County, Houghton County, Lapeer County, Marquette County, Kalamazoo County, Sanilac County, Ogemaw County, Clare County, Gogebic County, Saint Clair County, Bay County, Benzie County, Kent County, Delta County, Ionia County, Ottawa County, Van Buren County, Lake County and Oceana County .

Fiscal Years 2011 & 2012 – Charlevoix County, Lenawee County, Alger County, Monroe County and Osceola County.

Foreclosing Governmental Agreements

Counties Opting Out:

The following counties have chosen to not serve as their own Foreclosing Governmental Unit, and therefore rely on the State of Michigan Department of Treasury for this service:

- | | |
|-------------|-------------|
| –Branch | –Shiawassee |
| –Clinton | –Keweenaw |
| –Livingston | –Luce |
| –Iosco | –Mecosta |

Counties Opting In:

All remaining 75 counties are their own Foreclosing Governmental Unit and can establish a land bank authority upon approval by the MLB.

A map showing all local land banks is attached to this report as Attachment A. The map reflects the creation of land banks as of September 30, 2016.

MICHIGAN LAND BANK ACTIVITIES

The MLB has continued to provide outreach and assistance to local governmental entities in counties with or without established county or qualified city land banks. These services in large part are in the form of grant administration of state or federal demolition funds. Over the past five years the MLB has administered over \$60 million in 71 communities across the state of Michigan. Several of the programs listed below are the MLB's contributing efforts to serve as a partner for communities in need.

Blight Elimination (2012, 2015 and 2016)

In March 2012, forty-nine state attorneys general, including Michigan Attorney General Bill Schuette, entered into a settlement with five of the nation's largest mortgage servicers, following a lawsuit regarding mortgage foreclosure practices. Among other things, the settlement resulted in payments to states. State law allocated \$25 million to create a Blight Elimination Program to demolish vacant and abandoned properties and promote public safety, stabilize property values, and enhance economic development opportunities.

\$10 million was allocated for the City of Detroit to eliminate blight near select Pathways to Potential schools. Part of the elimination plan involved the demolition of dangerous structures, with the goal of providing a safer route to and from school for children, and for overall neighborhood stabilization. The program also included \$15 million in funding for blight elimination in other areas located outside of Detroit.

The \$10 million allocated for the City of Detroit, generated over 800 demolitions and the \$15 million state-wide generated over 1,200 demolitions between 35 grantees from the Upper Peninsula to the border of Michigan and Indiana.

Still the need for demolition was staggering as the \$15 million state-wide request for proposals brought in over 90 submissions totaling approximately \$50 million. This prompted \$3.7 million in additional funding being allocated to the MLB in 2015, which again was bid out state-wide for competitive proposals. This round of proposals, which included a cap of \$250,000 per applicant, still exceeded the funding and brought in 51 applicants with requests totaling approximately \$8.3 million. Awards were made to a total of 19 applicants spread throughout the state of Michigan and another 148 blighted structures were demolished.

As the need still outweighed funding, in 2016 the MLB applied to MSHDA for \$1 million in an effort to help some of the smaller communities throughout the state eliminate blight. The MLB was able to award funding to 22 additional communities. One of the many highlights that came out of this round was from Bergland Township, a small community located in the Upper Peninsula. The main grocery store in town was destroyed by arson and left abandoned by the owner. The township was left with a half standing pile of debris that was an attractive nuisance for further vandalism, a haven for surrounding wildlife, and a hindrance to the development of a much needed community grocery store. Since the award and demolition of the dilapidated structure, the township is in negotiations with a developer to rebuild at the site.

Hardest Hit Fund

In June 2013, the U.S. Treasury approved MSHDA's request to create a \$100 million blight elimination program using federal Hardest Hit Fund dollars. In the fourth quarter of 2013, MSHDA approved blight elimination plans submitted on behalf of five Michigan communities: Flint, Detroit, Saginaw, Pontiac, and Grand Rapids.

The MLB, in collaboration with the City of Pontiac, submitted a blight elimination plan for the demolition of 200 residential properties in the City of Pontiac. The MLB administered the \$3.7 million in grant funding by accepting and/or acquiring properties from the Oakland County Treasurer as well as private property owners, then moving the structures through the demolition process, issuing contractor payments, maintaining the newly vacant lots, and finally working with applicants to purchase the properties.

In December 2014, more than \$75 million in additional federal funding became available and this time it was spread across 12 cities to continue to address blight in the hardest hit areas in Michigan. The MLB was selected as a blight partner for the cities of Highland Park, Hamtramck, and Inkster with grant awards for the cities totaling \$5 million, \$952,000, and \$2.25 million respectively. Again the MLB administered the funding by accepting and/or acquiring properties from the Wayne County Treasurer, the respective city, and private property owners, then moved the structures through the demolition process, issuing contractor payments, maintaining the newly vacant lots, and finally working with applicants to purchase the properties.

At the end of fiscal year 2016, the MLB had successfully demolished 388 structures in the four communities and was in the process of procuring contractors for 222 remaining structures with a project close out date for all grants of June 2017.

State Fairgrounds

On April 9, 2012, Gov. Rick Snyder signed legislation (Public Acts 74 and 75 of 2012) allowing the transfer of the former Michigan State Fairgrounds to the MLB to return the land to productive use. The property includes 163 acres and 21 structures. The MLB issued a Request for Proposals in 2012 for the redevelopment of the Fairgrounds property and selected the proposal submitted by Magic Plus, LLC, which includes a mixed-use development for the entire property consisting of retail, residential, green space and entertainment uses. The MLB and Magic Plus, LLC executed a purchase agreement in 2013 and a development agreement in 2014. It is expected to close in 2017.

Detroit House of Corrections

Effective December 30, 2014, Public Act 427 of 2014 was approved by the Michigan Legislature transferring the Detroit House of Corrections (DeHoCo) Prison site from the Michigan Department of Technology, Management and Budget to the MLB. The DeHoCo Prison site was formerly owned by the City of Detroit before it was purchased by the State Department of Corrections in 1979 as part of a regional prison reform effort. The site was closed by the state in 1986. A study done in 2004 confirmed substantial environmental contamination at the site, which will need to be cleaned up prior to any sale taking place.

As stated in the, “Legislative Amendments Affecting the MLB,” section of this report, Public Act 116 of 2016 provided funding to the MLB by transferring all money in the Urban Land Assembly Loan Fund created under former 1981 PA 171, approximately \$4 million, to the MLB fund. The MLB has earmarked the funding from this transfer to be used to clear the site consisting of approximately 20 blighted structures. The clearing of the blighted structures will create a more attractive development atmosphere for surrounding properties as well as a positive first step towards the future redevelopment of the DeHoCo site.

Michigan Life Science and Innovation Center (MLSIC)

MLB acquired the MLSIC, a life science incubator space consisting of over 57,000 square feet of state-of-the-art research and labs, well-appointed offices and related facilities in Plymouth Township, in November of 2012. In late 2014, a 9,400 square foot addition was completed by one of the tenants for pharmaceutical research and human clinical trials. The center currently has 23 different tenants and a total of 150 total occupants that use its laboratories and office space.

NSP1 Project Update - Lake Pointe Apartments

In 2010 the MLB acquired a vacant, 12,000 square foot building located adjacent to Lake Hart from a local businessman. Prior to the acquisition by the MLB, the property was planned for redevelopment into Lake Pointe Senior Housing, a 25 unit residential development. Due to the presence of contaminated soil, the proposed project could not pass MSHDA’s environmental review to meet the underwriting process. The purchase and demolition by the MLB allowed for extensive environmental testing and remediation using the City of Hart’s Clean Michigan Initiative grant of approximately \$200,000 (spent on demolition of the structure and abatement of contamination). The property was conveyed to the developer in December 2012.



Lake Pointe Apartments, a \$4.3 million project, was built and opened in 2014. There was immediate demand for the 25 senior housing units and currently the building is at full capacity.

Environmental Protection Agency Revolving Loan Fund

The MLB is in the process of encumbering the final \$150,000 of a \$1 million Brownfield Cleanup Revolving Loan Fund award from the US Environmental Protection Agency (US EPA). Once encumbered, the MLB will seek supplemental funding and submit for competitive grant products from the US EPA to continue to be a resource for flexible gap loan funding to eligible brownfield development projects statewide.

Expedited Quiet Title and Foreclosure Actions

One of the tools the MLB has is the ability to initiate Expedited Quiet Title and Foreclosure Actions to address title issues that are often associated with tax reverted property and the tax foreclosure process. This important and necessary power allows the MLB to clear liens or clouds from its title, thus creating a more marketable property as the new owner has the option of purchasing title insurance after the transfer from the MLB.

Through the appointment of Special Assistant Attorneys General, the MLB initiated litigation to clear title to 32 properties for purposes of encouraging and promoting economic development projects throughout the state of Michigan.

Community Based Non-Profit Organizations

The MLB also utilizes its tools to work with community based non-profit organizations on unique public use projects such as:

- ***Community Housing Network (CHN):***

The MLB conveyed land to CHN to be included in a multi-phase, low-income housing development project also involving MSHDA in the City of Pontiac.

- ***Dwelling Place of Grand Rapids, Inc.:***

The MLB donated the former Roosevelt School in Muskegon Heights that had been transferred to the MLB from the school district in 2013. The former school will be part of a low income housing development project also involving MSHDA.

- ***Wayne Metropolitan Community Action Agency:***

The MLB worked with Wayne Metropolitan Community Action Agency (Wayne Metro) in Highland Park. The MLB transferred several vacant lots to Wayne Metro around its Highland Park Service Center. The lots were needed as part of their campus expansion which will include recreational uses and parking around the center. This expansion will assist in serving the neighbors and community members of Highland Park.

MLB PROPERTY INFORMATION

The MLB's inventory peaked at over 14,000 properties after its creation in 2003, but currently sits at approximately 4,000 properties statewide. This reduction has made for a more manageable inventory providing the opportunity for the MLB to be a better neighbor by demolishing blighted structures, boarding up structures open to trespass, maintaining lawns, removing debris, and removing snow from the sidewalks during the winter months. The MLB maintenance funding provides several community benefits including, but not limited to, removing or boarding up vacant structures that attract criminal activity, maintaining vacant lots that invite rodents and pests, as well as providing a more attractive property to offer for sale to the public. These benefits translate into property being purchased for side lots by current adjacent home owners or in some cases development of a new home. Both of these uses puts the property back on the tax roll and eventually raises the property values of surrounding homes in the area.

Properties within the MLB's inventory range from irregularly-sized, vacant residential side lots (lots which are not capable of being developed due to their small size or zoning requirements), to vacant lots capable of being developed with residential, commercial, industrial uses, to improved properties (lots containing residential, commercial, or industrial buildings), to contaminated sites and land-fills.

Side lot dispositions provide property owners the opportunity to purchase vacant, residential lots located next to their house at a minimal cost. The property is transferred to the adjacent owner for the purpose of expanding the side and/or rear lot area of that owner's property. Possible uses of a side lot include a flower or vegetable garden, play area for children and pets, or construction of a garage or driveway. Benefits to the individual include enhancing and adding value to that owner's property as they are able to clean, maintain, and secure the vacant abandoned property next to their home. Further benefits to the community include neighborhood beautification, increased property values, returning the property to the tax rolls, and relieving the state and local jurisdiction of maintenance costs.

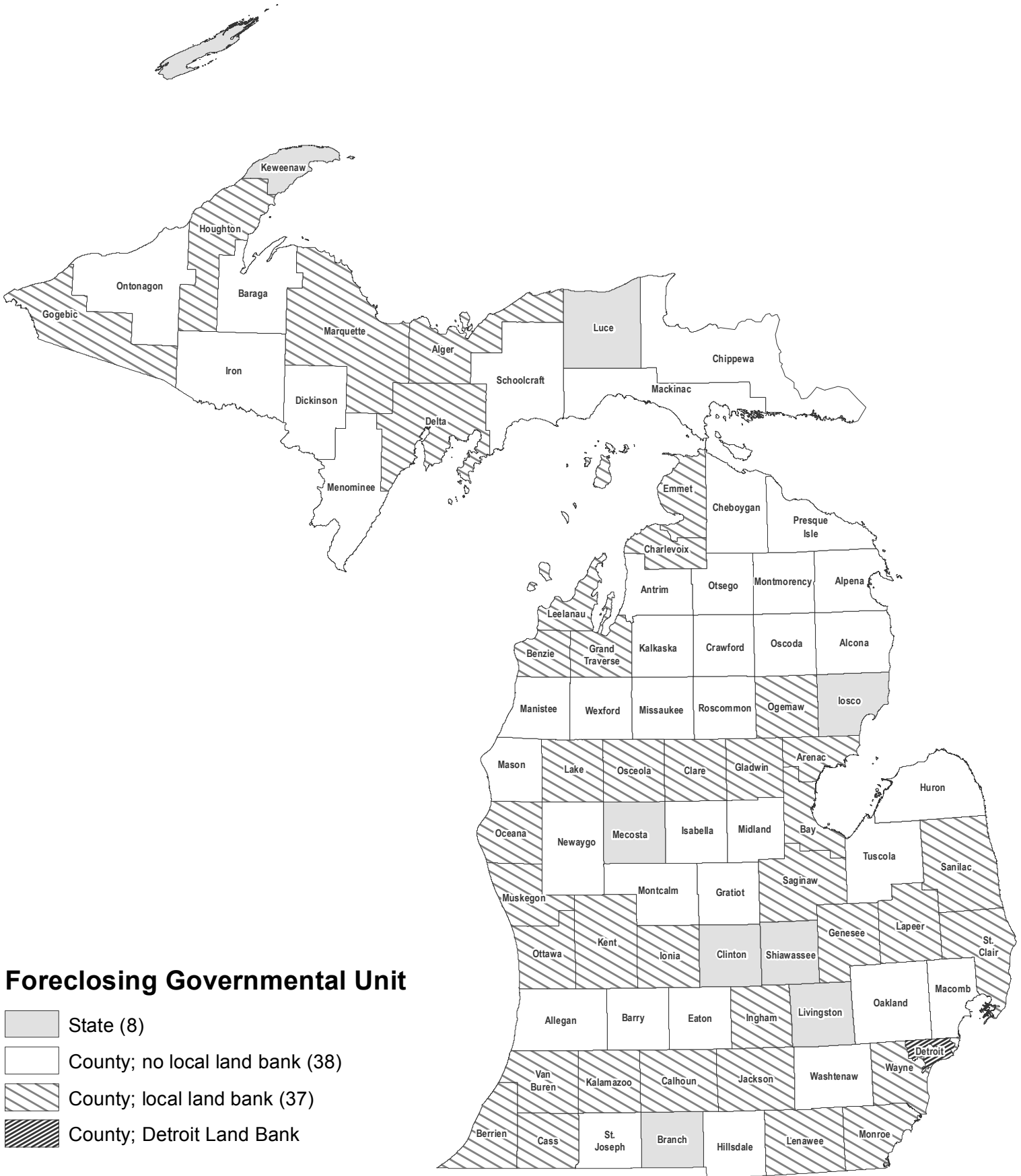
Since its inception, the MLB's marketing campaign has consisted of reaching out to the public, non-profit and for profit organizations, and other entities through press releases, presentations and public speaking engagements, conferences, interviews with internal and external media outlets, mailings, e-mail, website, telephone and word of mouth campaigns designed to explain the overall program objectives, and various features of the website and database.

In order to acquire property from the MLB, a buyer must complete the application process and be approved by MLB staff for the purchase based on the buyer's financial capability and proposed use for the property. Applications may be obtained by contacting either of the MLB's offices, or may be applied for online from the website located at www.michigan.gov/landbank. Once a completed application is received, it is reviewed and processed accordingly.

During this reporting period, 76 properties were sold (23 of them as side lots). Another 1,216 properties were transferred at no cost to the Detroit Land Bank Authority pursuant to Resolution 2013-16 passed by the MLB Board of Directors. The 76 properties generated \$210,827 in sales and during the same time period the MLB received over \$60,000 in five-year year 50% tax capture that was generated from previous years' property sales.

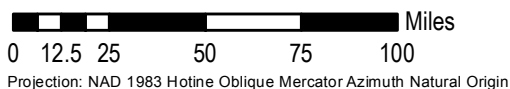
COUNTY LAND BANKS AND FORECLOSING GOVERNMENTAL UNIT

CUSTODIAL ENTITIES: TAX FORECLOSED PROPERTY



Foreclosing Governmental Unit

- State (8)
- County; no local land bank (38)
- County; local land bank (37)
- County; Detroit Land Bank



Prepared by the Michigan Land Bank, 2/7/2017
 Source: Michigan Land Bank Fast Track Authority;
 Michigan Geographic Data Library