



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 223 of the 130th G.A.](#)
(LSC 130 0743-3)

Date: November 13, 2013

Status: In House Financial Institutions, Housing, and
Urban Development

Sponsor: Reps. Grossman and Curtin

Local Impact Statement Procedure Required: No

Contents: Procedures relative to foreclosure actions for abandoned residential properties and unoccupied and blighted parcels

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- **Municipal corporations.** It is expected that some municipal corporations will take advantage of the bill's foreclosure procedures, which includes paying the court's applicable filing fee. A municipal corporation generally would try to do so by utilizing existing budgetary resources and staff, but could in certain situations opt to hire staff and/or contractors to more promptly move on larger numbers of properties.
- **Courts of common pleas and certain municipal courts.**¹ As courts have already been handling a significant rise in foreclosure activity in recent years, common pleas courts and certain municipal courts should be able to accommodate any municipality-initiated filings with existing budgetary resources and staff. For each such filing the court would collect the applicable filing fee from the municipal corporation.
- **County sheriffs, recorders, and auditors.** It is expected that county sheriffs' departments generally will be able to incorporate any additional work created by the bill into their ongoing operations without any significant increase in annual operating expenses. Additional property sales generate fee revenue for county sheriffs, recorders, and auditors.

¹ The Environmental Division of the Franklin County Municipal Court, the Cleveland Municipal Housing Court, and the Toledo Municipal and Housing Court.

Detailed Fiscal Analysis

The bill: (1) authorizes a municipal corporation to file for summary foreclosure on vacant and abandoned residential properties, (2) permits blighted properties on sale at a sheriff's auction to be listed without a minimum bid on the second and further sale attempts, and (3) permits a municipality to dispose of blighted properties at their convenience if such properties have not been disposed of through a sheriff's auction. As a result of the bill, additional foreclosure actions may be filed by municipal corporations with the appropriate court of common pleas or municipal court, and those properties in turn could be sold through a sheriff's sale, or if unsold, disposed of in a manner deemed appropriate by the municipal corporation that filed the action.

Municipal corporations

Once a municipal corporation has decided to pursue the foreclosure process permitted by the bill, the municipal corporation will have to go through a process to prove the property in question is vacated or blighted. Upon collecting enough evidence that the property is vacated or blighted, the municipal corporation will have to go through the court proceedings necessary to secure a judgment in its favor, including paying the applicable filing fee. At that point, the municipal corporation will have to notify the interested parties (mortgagor and lienholder). This will require staff to research the property in order to determine the correct owner. These steps could delay other work that staff would have been doing in the absence of the bill. However, a municipal corporation is not mandated to pursue foreclosure proceedings against any property; the bill simply gives it the option to do so.

The bill gives a municipal corporation another means by which to address vacant homes and blighted properties. Under current law, it appears that there can be obstacles to quick adjudication of vacant homes and blighted properties, and upon completing the existing procedures the properties could still remain vacant or blighted. The bill makes it more likely that vacant homes become occupied, thus (1) generating tax revenue from the previously vacant house, (2) increasing property values of surrounding properties, and (3) decreasing the likelihood of the home succumbing to decay or remaining in blight.

Court of common pleas and certain municipal courts

Under the bill, if a municipal corporation initiates a foreclosure, it would generally be filed with the court of common pleas, except in the instance where the municipal corporation was under the geographical jurisdiction of a municipal court with a housing or environmental division. There are currently three such courts: (1) the Environmental Division of the Franklin County Municipal Court, (2) the Cleveland Municipal Housing Court, and (3) the Toledo Municipal and Housing Court. For each such filing the court would collect the applicable filing fee from the municipal

corporation. It is not expected that these common pleas and municipal courts will be hit by a large wave of foreclosure actions being filed by municipal corporations. Since these courts have already been handling a significant rise in foreclosure activity in recent years, they should be able to accommodate any municipality-initiated filings with existing budgetary resources and staff.

County sheriffs (county recorders and auditors)

The bill may result in additional properties being listed and sold through a county sheriff's sale. It is expected that county sheriffs' departments generally will be able to incorporate any additional work created by the bill into their ongoing operations without any significant increase in annual operating expenses. For each additional property sold, the sheriff generally collects a recording fee, the county recorder collects a recorder's fee, and the county auditor collects a conveyance fee.

Synopsis of Fiscal Effect Changes

The substantive fiscal effect differences between the latest substitute version of the bill (LSC 130 0743-3) and the immediately preceding version (As Introduced) are detailed below.

Summary foreclosure actions. The substitute bill authorizes summary foreclosure action and the resulting sheriff's auction, and specifies that municipal courts with housing and/or environmental courts have jurisdiction over these foreclosure proceedings. As a result, additional properties may be listed, and if sold, related fees collected by county sheriffs, recorders, and auditors. The As Introduced version does not contain these provisions. By requiring a municipal housing and/or environmental court oversee the foreclosure process, certain work and related filing fee revenues in Franklin, Cuyahoga, and Lucas counties will shift from the court of common pleas to certain municipal courts.

Unsold properties. The substitute bill states that properties not sold after two auctions may be offered for sale with no set minimum bid or may be disposed of in any other manner provided in law. The As Introduced version requires that properties not sold after two auctions be deemed abandoned and transferred to the county. This change makes it more likely that properties will be sold and offers more flexibility to resolve the unsold properties.

Manufactured or mobile homes. The As Introduced version applies the provisions of the bill to manufactured or mobile homes that are subject to real property taxes, whereas the substitute bill excludes manufactured and mobile homes from its provisions. This decreases the number of properties subject to the jurisdiction of the bill, and thus removes them from the foreclosure consideration procedures within the bill.

Renovating properties. The substitute bill deviates from the As Introduced version in regards to renovating properties purchased by bidders that remain blighted post-deadline. The As Introduced version requires bidders to provide a bond to the

municipal corporation equal to the value of the renovations necessary to bring the property out of blight that was to be refunded to the bidder upon the remediation of the blight. The substitute bill requires no bonds, but the municipal corporation is allowed to remediate the blighted property after the deadline and then secure a judgment against the property owner for the cost of remediation. The substitute bill increases the cost to the municipal corporation of a qualified bidder abandoning their purchase while at the same time substantially reducing the up-front costs to the qualified bidders to bid on the properties, thus making it more likely that a property would sell at auction. It also removes any standing capital that would have come from the bidder for the municipal corporation to remediate the blight remaining after 12 months. The substitute bill would have the municipal corporation remediate the blight and then seek a judgment against the winning bidder for the costs of remediation, thus potentially increasing the net fiscal burden on municipal corporations.

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