

# Financing Options



## **COUNTY LAND REUTILIZATION CORPORATIONS**

# Permissible by Statute



- Delinquent Tax & Assessment Collection Fee (DTAC)
- Interest and Penalty (P&I) on Special Tax Advances
- Delinquent Tax Anticipation Notes or other Borrowing (DTAN)
- Tax levy for economic development
- Grants, Donations, Sale Proceeds, etc.

# DTAC Fee



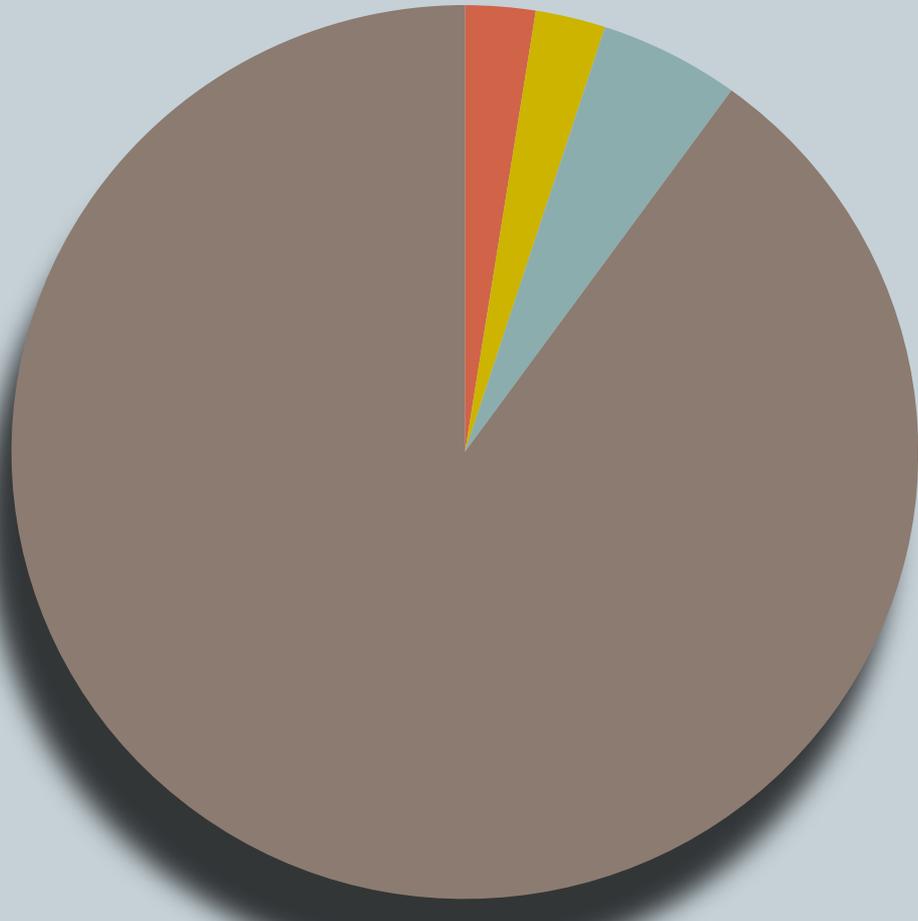
- **Current fee is 5% of all delinquent tax revenue**
  - Evenly split between County Treasurer and County Prosecutor
  - Designated for use in collection of delinquent taxes, including foreclosure actions
  - More recently, excess funds may be used for foreclosure prevention, demolition or county land banks.

# DTAC Fee



- Additional 5% fee may be charged for benefit of County Land Reutilization corporation
  - Requires Commissioner's resolution
  - May increase fee up to 5%
  - Must be appropriated for CLRC

# DTAC Fee



- Treasurer DTAC
- Prosecutor DTAC
- Land Bank DTAC
- Delinquent Tax Distribution

# Advantages of DTAC Financing



- Relates directly to delinquent tax collection in each taxing subdivision
- Tax software can easily accommodate increase in fee

# Disadvantages of DTAC Financing



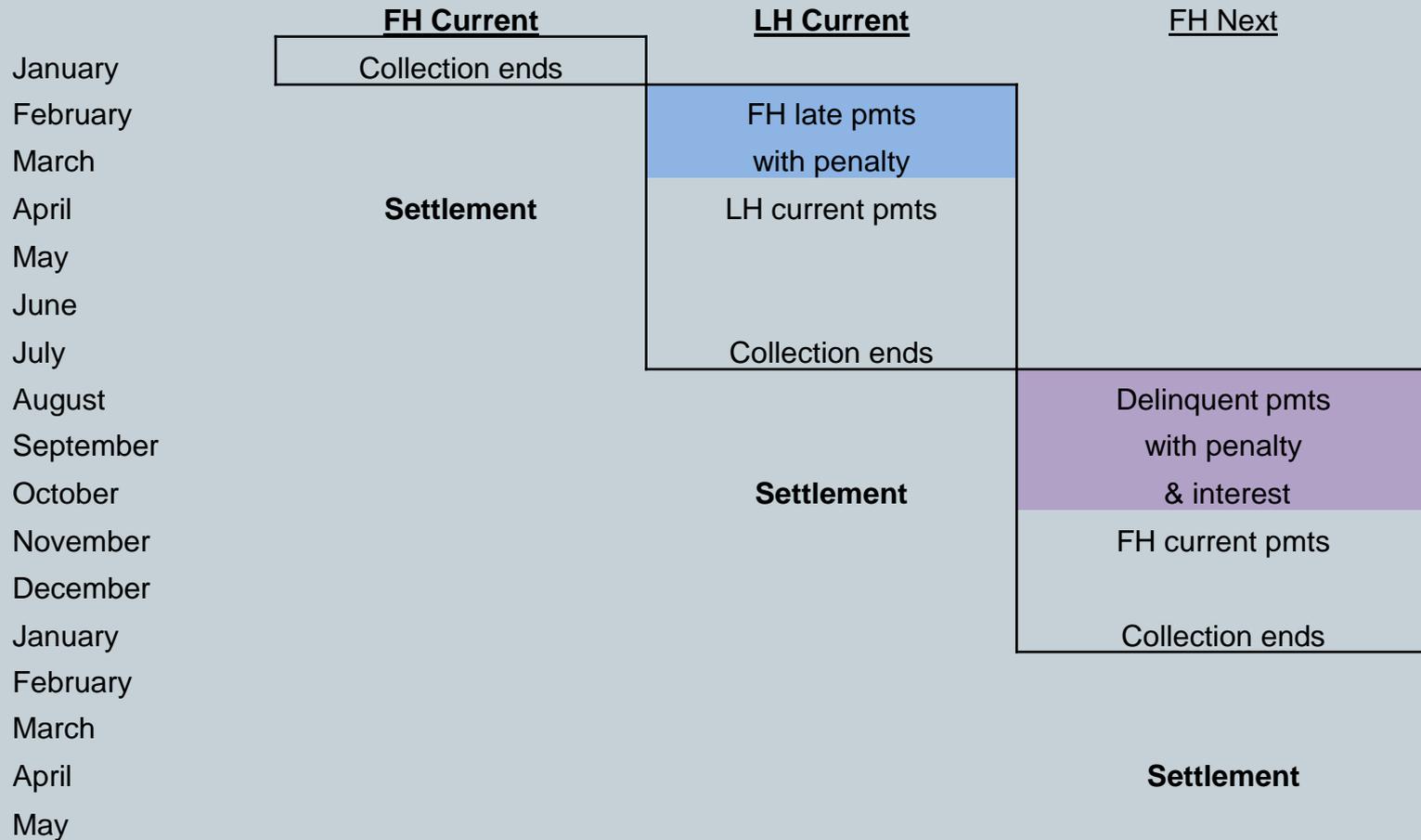
- Reduces amount of delinquent collection distributed to taxing subdivisions

# P & I on Special Advances



- Treasurer authorizes special early advances of late 1<sup>st</sup> half tax payments and/or payments on current delinquencies
- Advance must occur within 120 days after close of tax collection
- Penalties and interest on special advance are withheld and transferred to land bank

# Standard Tax Distribution Schedule



# P & I on Special Advances



	<b>FH Current</b>	<b>LH Current</b>	<b>FH Next</b>
January	Collection ends		
February		FH late pmts with penalty	
March	<b>Special Adv.</b>		
April	<b>Settlement</b>		
May	<b>Special Adv.</b>		
June			
July		Collection ends	
August			Delinquent pmts with penalty & interest
September		<b>Settlement</b>	
October			
November		<b>Special Adv.</b>	
December			
January			Collection ends
February			
March			<b>Special Adv.</b>
April			<b>Settlement</b>
May			<b>Special Adv.</b>

# DTAN or other Borrowing



- Involves advance of **unpaid** taxes
- Must be done within 120 days after close of collection
- Unpaid taxes are advanced from funds borrowed for that purpose or issuance of DTAN
- As taxes, penalties and interest are paid (post advance) tax revenue is used to pay down borrowing; P & I are allocated to land bank

# Advance of Unpaid Taxes



	<u>FH Current</u>	<u>LH Current</u>	<u>FH Next</u>
January	Collection ends		
February		FH late pmts with penalty	
March	<b>Special Adv.</b>		
April	<b>Settlement</b>		
May	<b>Special Adv.</b>		
June			
July		Collection ends	
August			Delinquent pmts with penalty & interest
September		<b>Settlement</b>	
October			
November		<b>Special Adv.</b>	
<i>Borrowing (DTAN)</i>		<i>Advance of future collection</i>	
December			
January			Collection ends
February			
March			<b>Special Adv.</b>
April			<b>Settlement</b>
May			<b>Special Adv.</b>

# Advantages of DTAN/Borrowing



- Provides additional P & I for land bank
- If county purchases DTAN, county earns interest
- Earlier receipt of tax revenue (anticipated) by taxing subdivisions

# Disadvantages of DTAN/Borrowing



- **Determination of anticipated collection**
  - Requires at least three years of prior year data
  - Requires close scrutiny of current delinquent taxes to eliminate uncollectible amounts (pending exemption, BOR, etc.)
- **Difficulty isolating current delinquent payments, penalties and interest with current tax software**
- **Paydown of DTAN or other borrowing dependent on actual collections**

# Disadvantages of DTAN/Borrowing



- Interest charges on DTAN/Borrowing paid by CLRC
- Cost of borrowing
- May be viewed as “unfair” by taxing subdivisions

# Other Funding Sources



- Allocation of Treasurer/Prosecutor DTAC – requires approval of County Investment Advisory Committee
- General Fund
- Grants
- Donations
- Appropriation from economic development levy



# QUESTIONS AND COMMENTS

# Land Bank & Demolition Funding



## **FEDERAL AND STATE DEVELOPMENTS**

# Federal Policy and Land Banks



- **Jobs Bill: Land Banking now a Federal/ Priority**
- **Demolition Limitations: removing the cap**
- **Qualified Bond Program: Federal Participation**
- **Building Consensus in Ohio Congressional Delegation**

# State Policy and Land Banks



- Current law: Robust and Adequate for operations
- Looking forward: support for demolition
- Building support among state policymakers



# QUESTIONS OR COMMENTS