

Service Committee Minutes

Honorable Council
City of Newark, Ohio
March 28, 2016

There was a meeting of the Service Committee in Council Chambers on Monday March 28, 2016 after Finance Committee with these members present:

Jeff Rath, Chair	Carol Floyd
Bill Cost Jr.	Ryan Bubb
Mark Fraizer	

We wish to Report:

1. **Resolution No. 16-29** a resolution authorizing and directing the Director of Public Service to enter into an amended agreement with the Newark Development Partners as its agency and instrumentality for commercial development in the City of Newark was considered.

Director Rhodes- as this states it is an amendment to our original agreement. The intent of the amendment is to allow us to transfer property that the City of Newark owns to the CIC when we feel it is appropriate then the CIC will dispose of that property. Let me give you an example. Since I have been Service Director we have disposed of a piece of property on the corner of Mt. Vernon Road and Deo Drive. It was a little triangle piece, you couldn't build anything on it and matter of fact it wasn't even big enough to put a sign on it. Because of the roadway that went through there the City of Newark ended up with this triangle piece so we decided to sell it thinking that would be a good idea. By the time that the city surveys it, has the legal work done and has all the processes that cities need to do the City of Newark spent around \$6,000.00 to sell this little piece of property that we were paying property tax on because we didn't have a city use for it. We were able to sell it for about \$3500.00-3800.00, not a real good avenue for the city. Any piece of property that the city has no municipal use for we have to pay property taxes on. I will give you another example, the properties on Western Ave where we took one lot back in lieu of property maintenance fines which was an outdoor boat storage. We got the other lot back after the duplex was taken down and the other lot we had. We put all three of those pieces together and put in a city park. Then we were able to go and apply for taxes to be abated. This puts in place a template if you will allow me to say it that way that allows us to take property that we own that we would lose money on selling. When a roadway goes in on Cedar Street we own about 15 feet of property there that has a sidewalk on it. The property owner who owns the house would love to have the property but in order for me to do that the way that it is now I have to have it

surveyed and put it out for sale where somebody else could buy that piece of property where he should rightfully be the property owner. What this allows us to do is push properties for economic reasons as well as push property that the city no longer has a need for and get it out at a more reasonable rate. What happens is the property gets transferred from the city to the CIC. The CIC acts as the city's agent and they sell the property. They negotiate a fee; I am the Treasurer of the CIC so we negotiate the sale price. The money goes into the CIC, the CIC takes a fee and then the remainder would be returned to the General Fund. It's not really to prop up the CIC funding it is a mechanism to allow the city to put property that it owns but doesn't have a municipal use for back into service.

Mr. Rath- how does the CIC sell that \$3500.00 piece of property without getting the \$6000.00 surveying fees?

Director Rhodes- less hoops. As a government we are so bound. I had to advertise for close to 6 weeks that the city was going to sell that triangle piece.

Mr. Rath- you gave us some examples of waste lands so to speak what about properties for economic development?

Director Rhodes- an example would be on Third Street the building where Jerry's Fabric building used to be. If the city decides we don't have any use for that property then it could transfer it to the CIC and they could sell it to a developer.

Mr. Rath- what about some of these properties where we have taken and demolished the houses

Director Rhodes- that would be a good example because this would allow us to work with Habitat for Humanity to get pieces out to them or Woda Homes who do work on Arlington and Race Street who are incidentally going to have an office in downtown Newark. That would allow us to get rid of those properties at a less cost to the city and maybe direct those for economic development.

Mr. Fraizer- when we transfer this we don't have to pay the property taxes?

Director Rhodes- the CIC assumes all of that

Mr. Fraizer- can we walk through the difference between this and the land bank mechanism?

Director Rhodes- the land bank and I don't sit on the board of the land bank, is a county land bank that the Mayor sits on the board. A piece of property that could go into land bank would be back on taxes, delinquent, taken back by the County Auditor. That property goes to the land bank and the board would decide how that property would go out. An example would be the property on Sixth Street across from Yesterday's Pub we took a house down there and the property is going in the land bank and the intent would be for the land bank to hopefully get that land to David K Kittle so they could put a parking lot in there for Yesterday's Pub and maybe increase the number of patrons they can get in there.

Mr. Fraizer- if I understand the difference we have the land bank which is used for delinquent properties that are delinquent on taxes

Director Rhodes- you have to understand one thing the city doesn't own any of those properties that go into the land bank.

Mr. Fraizer- that is what I was working towards

Director Rhodes- what I am talking about here is city owned property.

Mr. Fraizer- and then the other is delinquent property

Director Rhodes- yes and that is a lemans explanation

Mr. Fraizer- with this resolution the stipulations on the CIC is it just whatever the best bid is they have, do they have free rains?

Director Rhodes- no there is a little bit of trust here Mark that the CIC will dispose of the property at the highest and best use for that property. An example of the highest and best use would be contiguous property owner that would like to have his sidewalk and maybe 5 feet of his front yard back. There is a lot of development that goes on in Newark and for whatever reason the city ends up owning a 15 or an 18 foot piece, an example of that would be the piece of property on Church Street where we took that house down and the former administration took another house down, we are going to end up widening that and we will end up with 10-15 feet of land there. In reality we are going to cut the grass there if the neighbors don't and we are going to pay taxes there or I could take those 10 or 15 feet, ask Council to let me put it into the CIC, we transfer it over to the CIC, the CIC in turn makes a deal with the property owner and if there are a couple of thousand dollars there they will take an administrative fee and the city will get a check back. We will then dispose of that property and I don't have to send the Park's guys up there to cut the grass or the Street Traffic guys.

Mr. Cost- you just said something in passing that we as Councilmen would need to approve the transferring of these properties to the CIC

Director Rhodes- that is my understanding, if I'm incorrect Doug Sassen can do that.

Mr. Cost- the fee that the CIC would take is that predetermined?

Director Rhodes- there is going to be a little cost to the CIC to do this. Let me be clear on this, this isn't something that the CIC is looking to do. This is an avenue with Doug Sassen and Mary Albright and conversations with Mayor Hall, Director Mauter and myself we put our heads together. It started from about five years ago Doug Marmie asked me if there was a way that we can get properties exempted so we don't have to pay property taxes? When we first started to see some relief from these property taxes our property taxes that we pay on city owned property that we could use for city was close to \$35,000.00 of that \$10,000.00 was water shed money. As we fast forward through this process in today's world our property taxes are about \$13,000.00 not \$35,000.00 and \$5,000.00 of those fees are water shed not \$10,000.00. This is a savings to the General Fund. We're talking about pieces of property that you put back out to economic development, pieces of property where we took homes down, pieces of property that there may be a developer there. We can put deed restriction on these properties as we put them out.

Mr. Rath- one of the things that we have always discussed on Council is that when we pass an ordinance or resolution it's not to keep the current administration in mind but to keep future administrations in mind. We may trust this administration and this administration may have perfectly good intentions but what is the next administration going to be like? How do you think this could affect that?

Director Rhodes- number one we don't have never ending property. We don't have hundreds of pieces sitting around that we are going to get rid of so I will go back to my

comment on 30th Street and Church; because of the development we are going to have extra land there. My question to you is a future administration if they have this avenue and they can pass it to the CIC board and the CIC board can get those pieces of ground out for a \$1,000.00 to each property owner I would say to you that they are better off. The question is, is there a down side to it? I think we have a City Council of 10 people and a Council President that if a future administration would want to put City Hall in the hands of the CIC they would probably stop that because you guys still have a voice. There aren't as many pieces out there as you think but there are some and as we do further development there will be more. If there is another grant like Dan Coffman administrated through the Community Development Department then there might be other pieces there too but I would say getting some of those lots out to Habitat for Humanity or Woda Homes to build affordable homes are a better use of those lots than Director Mauter and Director Spurgeon calling the Park's Department saying you have to cut 12 pieces of property this week.

Mr. Rath- I couldn't agree with you more on that in that example.

Director Rhodes- I don't know what the down side is but there isn't anything that this administration does that doesn't need City Council's approval and if at any time City Council is uncomfortable with something the administration is doing they can always remove approval, they can always change the legislation and we change legislation all the time.

Mr. Fraizer- I think that the concern is a loss of control with the CIC and so is this resolution updated every year through Council?

Director Rhodes- no it's not. Is it forever until we determine otherwise?

Mr. Rath- it is forever until we determine otherwise.

Director Rhodes- you have to understand something, the CIC is a new animal and I understand where there might be questions about this now but the CIC is doing wonderful economic things, things that the Mayor and this administration couldn't spend general fund dollars on. Our proposal here tonight will save General Fund dollars.

Mr. Fraizer- I'm not overly concerned about it, it's just with anything new you just have to make sure I t's are crossed and our l's are dotted and with new a mechanism there are definitely questions that arise. I have no problem passing this out of committee. I will have some follow up questions but I'm sure you guys will meet with me and we'll sort everything out.

Director Mauter- are your questions out of uncertainty or do you not have enough information?

Mr. Fraizer- with this new agreement as far as with the number of properties that we have, where they are located, what we are targeting for over the next year, what are the use cases that we have, what does development look like through the CIC, who do they sell to, what businesses are we trying to attract.

Director Mauter- that is a level of detail we don't have

Mr. Fraizer- I agree but these are questions that I want to follow up on

Director Rhodes- Mark I am going to be real clear we don't have the property that is going to be transferred through here that is going to spur the large economic development you are speaking to. As we get ready to move a piece of property say on

Race Street we have no problem saying 46 Race Street, it is a vacant lot, we are cutting the grass on that we got because we tore a house down when Dan Coffman was administering that grant. We have an opportunity for Woda Homes to build a house on it. If that is the information that you are looking for then that's not a problem. We don't have a list of properties ready to show or give to them yet. What we are trying to do is build a mechanism. We have a mechanism in place and if you guys want me to get rid of the properties that way I can come and we can get rid of the properties that way, some of them will work out fine but the majority of them will cost us more money. It will take more money out of the General Fund as the example of the triangle piece.

Mayor Hall- we have the land bank now in the county, the CIC is a Newark City piece. We look at the different vehicles and see how it fits different pieces of property as move forward. We don't want to forget that the CIC is our economic arm. The four seats are appointed by the Mayor and 6 seats are appointed by our private partner which is the Chamber so there is a little bit of a checks and balance there. They aren't going to take this property without their consent either. They are the ones that bring in private dollars to collaborate with our public dollars. Surely this Council helps fund that CIC a little bit; it establishes the CIC and any day may dissolve the CIC. Other cities around the state that we try to emulate have these different arms and use them in different fashions.

Mr. Fraizer- you are viewing this as a way to fill a gap that the land bank doesn't fill

Director Rhodes- it's totally different the City of Newark owns these properties.

Anything that goes into the land bank goes in there by way of the county not the city.

This is city owned property. That is the real difference. Anything that goes to the county land bank is county owned property that goes in there for tax delinquency, things of that nature. When a property goes in there that is tax delinquent the Mayor will reach out to Mark or myself and we will go look at it and we will determine whether the City of Newark wants that. If the City of Newark determines that we have a need for a land bank piece of property than we would take it in. That wouldn't be a Council action.

Generally we pass on those properties because they are properties that generally need a lot of clean up. I can't take any of the city owned properties and move them into the land bank. The county land bank has opportunities for properties all over the county and none of those would come to the city.

Mayor Hall- each of these has their own functions and by laws and their own missions.

We can't give a piece of land to the land bank but the land bank can take ownership of properties and to repurpose it with the goal to put it back on the books as tax paying property. When the CIC was set up it didn't have the claws to allow this mechanism. It's not demanding use of this mechanism and it's not requiring it, it is just an allowance.

The CIC had to change their by laws to allow that mechanism also and this is the agreement on this side.

Mrs. Floyd- it seems to me that this is going to be a money saving thing as far as the city is concerned.

Director Rhodes- the one example on the triangle piece on the corner of Deo and Mt.

Vernon Rd again a piece of property that nobody could build on, a piece of property that you couldn't even put a sign on. The pieces of property that I am speaking of that are going to be created when we do the widening of Church Street. This gives us an avenue

to move those properties and then the CIC can enter into an agreement to sell them to the contiguous property owners. It is an opportunity for us to A) get away from mowing, B) not having to pay property tax on it and C) move the property. Mark inherited a fair amount of pieces of property from the grants that were administrated by the previous administration. It would be wonderful if we could those properties out to contiguous property owners or reuse for Habitat homes or Woda homes. It would be wonderful to do that but currently when those groups reach out to us the lot they may be interested in is worth \$800.00-900.00 to them but I have to spend \$5,000.00-6,000.00 of General Fund dollars to do this. You have to understand this, as we talk here, Mark and I both sit on the CIC board, when we take pieces of property to them they aren't just saying give it to me, give it to me, they are saying why do we want that strip? Mark will say because I have this property owner over here who might like to have it and he is willing to give \$1,000.00 or this property owner over here. I would imagine the majority of property that we transfer will be predisposed use in mind because they are not going to take property to own property to pay property tax on like the city currently is. The CIC doesn't want to own property.

Mr. Cost- it appears to me that you are talking about a very broad concept of this mechanism but we are not going to be able to have specifics until we are talking about a specific piece of land and then when we have that we will be able to go over specific details. They are all going to be individual circumstances.

Director Rhodes- here is the other thing too; we can put deed restrictions on these properties. Let me give you an example. A couple of years ago a medical center wanted the piece of property on the corner of West Main and Cherry Valley Road. It is a nice buffer for those property owners and it should probably remain green space. If we wanted to move this piece to the hospital or the property owners before we do that we could deed restrictions on it. 1) it can't be built on, 2) it always has to be green space, 3) can't increase the sign size or 4) you have to care for it. We have the authority and ability to put deed restrictions on the property.

Motion by Mrs. Floyd to send to full Council, second by Mr. Fraizer

Mr. Fraizer- once the property goes to the CIC and they say that they have a buyer does it go back to the City of Newark to get final approval?

Director Rhodes- no, once it goes to the CIC they have full authority. They take a fee but the money has to come back to the City of Newark.

Director Mauter- David am I correct for the city to sell property we have to go by the ORC which means that we put it out for bids, publicly advertise it then when the bids come in it is the lowest and/or best bid but with the CIC it would operate more like a private business where we can take the highest and best bid. There lies the difference. The CIC can operate more like a real estate company. The city has bound by the ORC which handcuffs the city a little bit.

Motion passed by a vote of 5-0.

Jeff Rath, Chair