



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 134 of the 131st G.A.

Date: October 6, 2015

Status: In House Judiciary (LSC 131 0460-3)

Sponsor: Reps. Grossman and Curtin

Local Impact Statement Procedure Required: No

Contents: Foreclosure proceedings for abandoned residential properties and vacant or 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 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 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.

The number of new foreclosure filings in Ohio peaked at almost 90,000 statewide in calendar year (CY) 2009. For the last five consecutive years, the number of new filings has decreased. The number of new filings statewide in CY 2014 (43,728) represents a decrease of almost 28,000, or 40%, from the CY 2009 peak. The table below shows the trend in new filings from CYs 2011-2014 statewide and for six counties of varying population sizes.

New Foreclosure Filings for Certain Counties, Calendar Years 2011-2014					
Jurisdiction	Population²	CY 2011	CY 2012	CY 2013	CY 2014
Cuyahoga	1,266,049	11,544	11,427	8,829	7,041
Franklin	1,196,070	7,834	7,702	5,691	5,480
Ashtabula	100,298	708	641	505	473
Geauga	93,840	463	416	303	231
Hocking	29,352	152	145	107	89
Fayette	28,849	181	185	150	97
STATEWIDE	11,553,031	71,556	70,469	53,163	43,728

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

There is no significant difference between the fiscal effects of the "As Re-referred by House Rules and Reference" version of the bill and the latest substitute version (LSC 131 0460-3). Under the latest substitute version, potentially fewer properties may be foreclosed upon due to the additional criteria that must be met, and there may be additional work for the court related to the deed and transfer of property title.

² Population data is based on 2012 U.S. Census estimates.