

The Greater Syracuse Property Development Corporation

“The Land Bank”



**A Joint Audit by the
Onondaga County Comptroller
Robert E. Antonacci II, CPA
and the Syracuse City Auditor
Martin D. Masterpole**



August 27, 2015

The Honorable Onondaga County Executive
The Honorable Mayor of the City of Syracuse
The Honorable Members of the County Legislature
Honorable Members of the Common Council

Enclosed is our report on Greater Syracuse Property Development Corporation (GSLB).

Based on our initial risk assessment, the scope of our review was focused on (1) Long-term sustainability; (2) Measuring and reporting to the intermunicipal agreement partners; (3) Property management company (PMC) oversight, including the property intake, assignment, management and sales activity; (4) Rental management oversight; and (5) Interrelationships and related issues. Each of these areas is outlined in greater detail in the related section of our report.

Starting and developing any organization like the GSLB is a very difficult job, with many and varied challenges. The Board and Executive Director have worked hard to develop policy and procedures and do the other work necessary to make it a viable organization and set the stage for successfully meeting the challenges they face in accomplishing their mission. However, after reviewing key areas of the GSLB operations, as more fully described in this report, we feel there are still considerable challenges for the GSLB and the intermunicipal partners if they are to be successful in the long-term. The most significant of these challenges include:

Developing permanent funding sources – Before the GSLB acquires properties that they may not have sufficient funding to stabilize and maintain, there must be permanent funding sources available to pay the costs associated with the property acquisition, stabilization, and maintenance.

Implementing outcome based performance measures – With the intermunicipal partners, develop and use outcome based performance measures to measure progress towards achieving their mission.

Reducing costs – Look for additional ways to reduce the costs of acquiring, stabilizing and maintaining properties.


Increasing internal funding sources – Look for ways to increase internal income sources, primarily the sale and rental of properties.


Improving oversight – Improve the internal processes for oversight over contractors and development partners.

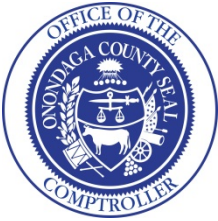
Working with the GSLB Board and Executive Director, the intermunicipal partners could help with pursuing the first and second items. In addition, although they have a ways to go, the GSLB has started to address the last three items by contracting in different ways to reduce costs and hiring additional staff for oversight responsibilities.

We have provided detailed recommendations for the GSLB and the intermunicipal partners in each section of the report.

Sincerely,


Robert E. Antonacci II, CPA
Onondaga County Comptroller


Martin Masterpole
City of Syracuse Auditor



Report on the GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION

By Onondaga County Comptroller Robert E. Antonacci II, CPA,
and Syracuse City Auditor Martin D. Masterpole

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SECTION I

EXECUTIVE SUMMARY

New York State's Land Bank Program was established with the enactment of Article 16 of the New York State Not-for-Profit Corporation Law. Pursuant to the provisions of the Act, governmental entities possessing the power to foreclose on tax liens are permitted to create a not-for-profit corporation whose purpose is to facilitate the return of vacant, abandoned, and tax delinquent properties to productive use. On March 27, 2012, an intermunicipal agreement was entered into, under the NY Land Bank Act, between Onondaga County and the City of Syracuse for the purpose of establishing and creating the Greater Syracuse Property Development Corporation (dba Greater Syracuse Land Bank), (GSLB). Its purpose is to "help address the Parties' problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax delinquent properties to productive use."

The GSLB has become the clearinghouse for properties foreclosed upon for tax-delinquency by the City of Syracuse. For properties reaching the threshold for minimum number of years of unpaid taxes, Onondaga County has traditionally used a tax auction as its principal method for the enforcement of real property tax collections. Therefore, the GSLB has received only a limited number of foreclosed properties from the County and a few foreclosed properties from banks.

The GSLB is governed by a board of directors appointed by the City and County executives and legislatures. The GSLB started receiving property in late 2013 and became fully engaged in 2014. From late 2013 to December 31, 2014, the GSLB acquired 470 parcels of property. In 2014, the GSLB sold/disposed of 75 parcels of property. At December 31, 2014, the GSLB held 395 properties.

The March 2012 intermunicipal agreement provides for "All records of the Land Bank subject to any claimed privilege, shall be made available to either Party, including the Onondaga County Comptroller, and the City Auditor of the City of Syracuse." The GSLB has been in operation for over 3 years now. Therefore, the County Comptroller and City Auditor agreed now is a good time to provide feedback to the GSLB, Onondaga County and the City of Syracuse on progress to date and selected areas of operations.

Based on an initial risk assessment, the scope of the review was focused on (1) Long-term sustainability; (2) Measuring and reporting to the intermunicipal agreement partners, the County and City; (3) Property management company (PMC) oversight, including the property intake, assignment, management and sales activity; (4) Rental management oversight; (5) Interrelationships and related issues. Each of these areas is outlined in greater detail in the related section of this report.

Starting and developing any organization like the GSLB is a very difficult job, with many and varied challenges. The Board and Executive Director have worked hard to develop policy and procedures and do the other work necessary to make it a viable organization and set the stage for successfully meeting the challenges they face in accomplishing their mission. However, after reviewing key areas of the GSLB operations, as more fully described in this report, we feel there are still considerable challenges for the GSLB and the intermunicipal partners if they are to be successful in the long-term. The most significant of these challenges include:

Developing permanent funding sources – Before the Land Bank acquires properties that they may not have sufficient funding to stabilize and maintain, there must be guaranteed funding sources available to pay the costs associated with the property acquisition, stabilization, and maintenance.

Implementing outcome based performance measures – With the intermunicipal partners, develop and use outcome based performance measures to measure progress towards achieving their mission.

Reducing costs – Look for additional ways to reduce the costs of acquiring, stabilizing and maintaining properties.

Increasing internal funding sources – Look for ways to increase internal income sources, primarily the sale and rental of properties.

Improving oversight – Improve the processes for overseeing the work of contractors and development partners.

Working with the GSLB Board and Executive Director, the intermunicipal partners could help with pursuing the first, second, and third items above. In addition, although they have a ways to go, the GSLB has started to address the last three items by contracting in different ways to reduce costs and hiring additional staff for oversight responsibilities.

We have provided detailed recommendations for the GSLB and the intermunicipal partners in each section of the report. In addition, we have provided a full listing of detailed recommendations in Appendix E of this report.

SECTION II BACKGROUND

New York States Land Bank Program was established with the enactment of Article 16 of the New York State Not-for-Profit Corporation Law. Pursuant to the provisions of the Act, governmental entities possessing the power to foreclose on tax liens are permitted to create a not-for-profit corporation whose purpose is to facilitate the return of vacant, abandoned, and tax delinquent properties to productive use. On March 27, 2012, an intermunicipal agreement was entered into, under the NY Land Bank Act, between Onondaga County and the City of Syracuse for the purpose of establishing and creating the Greater Syracuse Property Development Corporation (GSLB). Its purpose is to “help address the Parties’ problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax delinquent properties to productive use.” Additionally, the GSLB was awarded \$3M in July 2013 and \$1.9M in October 2014 by the NYS Attorney General’s Office through funds obtained from settlements with the nation’s largest banks to assist in the renovation and demolition of properties acquired. A brief history of real property tax enforcement for the City and County is provided in Appendix A of this report.

Other significant laws governing the GSLB include:

- New York Public Authorities Law Article 9 – Covers roles and responsibilities of board members and other general requirements for all New York State public authorities.
- Public Officers Law, Articles 6 and 7 and parts of Article 4 – Covers the Freedom of Information Law, Open Meetings Law, and ethics provisions.

The GSLB has become the exclusive tax delinquent property repository for the City of Syracuse. For properties reaching the threshold for years of unpaid taxes, Onondaga County has traditionally used a tax auction as its principal method for the enforcement of real property tax collections. Therefore, the GSLB has received only a limited number of tax delinquent properties from the County and a few foreclosure properties from banks.

The March 2012 intermunicipal agreement provides for “All records of the Land Bank subject to any claimed privilege, shall be made available to either Party, including the Onondaga County Comptroller, and the City Auditor of the City of Syracuse.” The GSLB has been in operation for over 3 years now. Therefore, the County Comptroller and City Auditor agreed now is a good time to provide feedback to the GSLB, Onondaga County and the City of Syracuse on progress to date and selected areas of operations.

The GSLB is governed by a board of directors appointed by the City and County executives and legislatures. For the first two years of its existence, the GSLB Board was primarily engaged in getting organized, establishing policy and hiring staff. The Board of Directors established a full set of policies and procedures, hired staff, and procured contractors during this time. The Board has established a significant number of policies since it formed. A full listing of the Board’s policies is available in Appendix B of this report.

The GSLB started receiving property in late 2013 and became fully engaged in 2014. From late 2013 to December 31, 2014, the GSLB acquired 470 parcels of property. In 2014, the GSLB sold/disposed of 75 parcels of property. At December 31, 2014, the GSLB held 395 properties.

Starting and developing any organization like the GSLB is a very difficult job, with many and varied challenges. The Board and Executive Director have worked hard to develop policy and procedures and do the other work necessary to make it a viable organization and set the stage for successfully meeting the challenges they face in accomplishing their mission. However, after reviewing key areas of the Land Bank operations, as more fully described in this report, we feel there are still considerable challenges for the Land Bank and the intermunicipal partners if they are to be successful in the long-term. The most significant of these challenges include:

The GSLB contracts with property management companies to manage most aspects of virtually all of its properties. At December 31, 2014, the property management contract covers property intake, day-to-day property management, maintenance of properties, leasing and rental income for properties, and sale of properties. In 2013, the GSLB contracted with 4 property management companies. By the end of 2014, the GSLB was contracting with 2 property management companies. The GSLB is currently evaluating what services will be provided by the property management companies in the future. For more information on property management functions, please see Sections IV C and D of this report.

The GSLB started with one employee, the Executive Director, in 2013 and hired two more employees in 2013. At the time we began our review, GSLB had two employees. The Executive Director reports to the Board. She has general supervision and management of the Corporation and all Corporation staff and employees report directly to her. The GSLB also contracts for property management, legal, audit, and accounting services. For more information on GSLB staffing and support, please see Appendix C of this report.

SECTION III SCOPE AND METHODOLOGY

Objectives and Scope

Based on an initial risk assessment, the scope of the review was focused on (1) Long-term sustainability; (2) Measuring and reporting to the intermunicipal agreement partners, the County and City; (3) Property management company (PMC) oversight, including the property intake, assignment, management and sales activity; (4) Rental management oversight; (5) Interrelationships and related issues. Each of these areas is outlined in greater detail in the related section of this report.

Methodology

We list all of our methodology statements related to each section of the report in that section. In addition, we list all of our methodology statements in Appendix D of this report.

SECTION IV REPORT SECTIONS

Section IVA. Long-Term Sustainability

Background

The Greater Syracuse Property Development Corporation (Greater Syracuse Land Bank or GSLB) was created under Article 16 of the Not-For-Profit Corporations Law by an intermunicipal agreement between Onondaga County and the City of Syracuse dated March 27, 2012. Its purpose is to “help address the Parties’ problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax delinquent properties to productive use.” Since its creation, the GSLB has become the exclusive tax delinquent property repository for the City of Syracuse. In addition, it has received various tax delinquent properties from Onondaga County and a few foreclosed properties donated by banks.

While the analysis of GSLB income and costs could get very complex very quickly, we will attempt to keep it as simple as possible. With the attempt to keep it simple, of course, we will not be as exact with our calculations. However, we believe our calculations of average income and costs and future cost estimates, based on our assumptions and data from the GSLB and other sources, will be within a reasonable range for providing decision makers with a reasonable approximation of the future costs of the GSLB as additional property is acquired and sold or held in the future.

We will then attempt to demonstrate where income may fall short of costs in the future and where the GSLB and the City of Syracuse and County of Onondaga will need to address the shortfalls in order to maintain the GSLB as a viable organization. Lastly, we will provide suggestions for the GSLB and the intermunicipal

agreement partners of potential cost savings and income sources for the future in order to close any future funding gap.

We are using income and cost information taken from the independent audit of the GSLB for 2014 and from other data and records provided to us by the GSLB. While we performed certain tests of the records provided to us by the GSLB, we did not separately audit the financial or other data and records of the GSLB.

GSLB Long-Term Sustainability Efforts

The GSLB Executive Director and staff have conducted their own long-term sustainability analysis, updated in April 2015. We received a number of charts/graphs depicting those efforts. We also asked for and received supporting information, assumptions, calculations, etc. from the Executive Director. The GSLB has also continuously conducted efforts with the intermunicipal partners to promote a focus on long-term sustainability issues.

Our efforts at focusing on this critical issue for the GSLB is intended to build on the efforts of the GSLB Executive Director and staff and hopefully will promote solutions to these issues. If the GSLB and intermunicipal partners do not fully focus on and address these long-term sustainability issues within the next few years, the GSLB will either be forced to cut back on accepting additional properties or run short on operating funds to carry out the GSLB mission.

We respectfully urge the GSLB and the intermunicipal partners to address these issues as soon as possible or scale back or stop transferring additional properties to the GSLB.

Both the City of Syracuse and Onondaga County, the sponsoring governments, have stated their funding is only assured on a year-to-year basis and cannot be guaranteed for any future year.

Methodology

We analyzed income and cost information taken from the GSLB records and reports and the independent audit report of the GSLB for 2014. The GSLB conducted their own long-term sustainability analysis, updated in April 2015; we reviewed a number of charts/graphs depicting those efforts. We also asked for and received additional supporting information, assumptions, calculations, etc. in order to make determinations regarding the long term sustainability of the GSLB.

Analysis

According to their records, the GSLB acquired the following properties by type during 2014:

Property Type	Number	Share
1-4 Family Residential Buildings	211	62.2%
More Than 4 Family Residential Buildings	7	2.1%
Commercial Buildings	16	4.7%
Vacant Land	103	30.4%
Religious Structures	2	0.6%
Total	339	100.0%

According to their records, the total acquisition and stabilization costs for the GSLB in 2014 were \$366,387 and the total number of properties acquired in 2014 was 339. Therefore, the average GSLB acquisition and stabilization costs for 2014 were \$1,081 per property.

According to their records, the GSLB sold the following properties in 2014:

Property Type	Number	Share
1-4 Family Residential Buildings	61	81.3%
More Than 4 Family Residential Buildings	2	2.7%
Commercial Buildings	4	5.3%
Vacant Land	8	10.7%
Total	75	100.0%

According to their records, the total sales costs (sales commissions, attorney fees, etc.) for the GSLB in 2014 were \$185,434 (properties with buildings \$178,359 and vacant properties \$7,075) and the total number of properties sold in 2014 was 75 (67 properties with buildings and 8 vacant properties). Therefore, the average GSLB sales costs for 2014 were \$2,472 per property (\$2,662 per property with a building and \$884 per vacant property).

According to their records, the GSLB held the following properties at some point during 2014:

Property Type	Number	Share
1-4 Family Residential Buildings	270	57.5%
More Than 4 Family Residential Buildings	7	1.5%
Commercial Buildings	19	4.0%
Vacant Land	172	36.6%
Religious Structures	2	0.4%
Total	470	100.0%

We calculated the total days each property was held by the GSLB for the 470 properties at any point in 2014 (to December 31, 2014, if not sold in 2014) at 103,040. We divided by 365 days per year to get the full year equivalent number of properties of 282.3. Therefore, we calculate the full year equivalent ratio for properties held in 2014 at .601 (282.3 divided by 470). According to their records, the total maintenance costs for the GSLB for 2014 were \$651,172. Therefore, the average GSLB maintenance cost for properties held in 2014 was \$2,307 per property (\$651,172/282.3).

Based on the above, the total average cost per property for acquisition, stabilization, maintenance, and sales for 2014 was \$5,860.

The GSLB estimates it is scheduled to hold, acquire, and receive approximately the following numbers of properties in the next four (4) years:

Year	Beginning Inventory	Property Acquisitions⁽¹⁾	Property Sales⁽²⁾	Ending Inventory	Full Year Equivalent⁽³⁾	Proj. Maint. Costs⁽⁴⁾
2015	395	633	260	768	461.6	\$1,064,911
2016	768	787	260	1295	778.3	\$1,795,538
2017	1295	290	260	1325	796.3	\$1,837,064
2018	1325	130	260	1195	718.2	\$1,656,887
Total	395	1,840	1040	1,195	2,754.4	\$6,354,400

(1) The City of Syracuse estimates there are approximately 2,166 seizable properties available now. They also estimate between 30% and 45 % of those currently available will become ineligible because they will pay their taxes or enter into a tax trust agreement to pay their taxes. That leaves 55% to 70% of the properties available to the GSLB over the next few years. At 70% (the high point), the number of properties available to the GSLB would be 1,516. At 55% (the low point), the number of properties available to the GSLB would be 1,191. The number of available properties will increase every year as more properties become tax delinquent or default on their tax trust agreements. The GSLB estimates the additional properties will become available each year through the delinquency process is approximately 130.

(2) Based on the number of sales in 2014 (75) and the up-front loading of the more desirable properties, we believe the estimated sales numbers for 2015 to 2018 is aggressively optimistic to overestimated.

(3) Ending inventory times the full year equivalent ratio of 60.1%.

(4) Full Year Equivalent column multiplied by the average cost of maintenance for 2014 (\$2,307).

Based on all of the above and with the following assumptions:

- General contributions (usable for general purposes) from the City of Syracuse are only assured for the year 2015-2016 (through June 2016). Onondaga County grants, as currently approved, are all restricted.
- Based on GSLB estimates, rental income will remain constant at \$100,000 per year.
- Specific grants for renovation and/or demolition/deconstruction will be used for those purposes only and there will be no renovation and/or demolition/deconstruction beyond the specific grants allocated for those purposes. If the GSLB decides to do renovation and/or demolition/deconstruction above the amount of the specific grants allocated to it, then their costs will go up accordingly.
- Personnel costs will go up for 2015 approximately \$115,000 based on new employees just added to the GSLB payroll in 2015. Based on GSLB estimates, total administrative costs will increase to \$592,034 per year from 2015 through 2018.
- Additional properties held in inventory over the next four (4) years will result in increased maintenance costs, based on average 2014 maintenance costs per property.

The following chart demonstrates the impact on the GSLB from 2015 to 2018 (unaudited):

Income/Expense	2015	2016	2017	2018	Totals
General Grants ⁽¹⁾	\$1,500,000	\$666,666			\$2,166,666
Income from Grant Fund Management ⁽²⁾	\$144,000	\$55,205			\$199,205
Rental Income ⁽³⁾	\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
Sales Income ⁽⁴⁾	\$2,030,000	\$1,800,000	\$1,800,000	\$1,800,000	\$7,430,000
Total Income	\$3,774,000	\$2,621,871	\$1,900,000	\$1,900,000	\$10,195,871
Total Costs^{(5), (6), (7), & (8)}	\$2,836,511	\$3,697,402	\$3,201,740	\$2,848,534	\$12,584,187
Net Income (Loss)	\$937,489	\$(1,075,531)	\$(1,301,740)	\$(948,534)	\$(2,388,316)
With 2% Compounded Inflation	\$956,239	\$(1,118,982)	\$(1,381,417)	\$(1,026,724)	\$(2,570,884)
100 Fewer Properties Sold per Year	\$218,683	\$(1,868,778)	\$(2,233,707)	\$(2,019,082)	\$(5,902,884)

- (1) Assumed no general grant funding beyond what is already approved by the City of Syracuse through June 2016. The County is considering making part of their 2016 grant unrestricted but it has not been approved yet. The City's 2014-2015 funding agreement with GSLB contains claw back provisions if delinquent tax collections aren't achieved and goals for how many properties must be accepted and sold by the GSLB. Although there is provision in the Not-for-Profit law for a property tax sharing arrangement with the City and/or County, neither of them have agreed to any such arrangement.
- (2) Grant fund management fees, as estimated by the GSLB
- (3) Property rental income, as estimated by the GSLB.
- (4) Proceeds of property sales, as estimated by the GSLB. Average per property sold in 2014 was \$12,867 (\$965,015/75)
- (5) Acquisition costs are calculated on estimated properties acquired times \$1,081 per property, as per above calculation.
- (6) Maintenance costs are calculated per property above.
- (7) Sales costs are calculated based on the estimated sales of structures times \$2,662 per property and estimated vacant property sales times \$884 per vacant property per above calculations.
- (8) Administrative costs for 2015, as estimated by the GSLB.

Any increase or decrease due to inflation/deflation and/or number of properties acquired, held and/or sold will affect the net income of the GSLB accordingly. For example, if there was a sustained inflation rate of 2% across all incomes and costs for the four years, we estimate the loss over the four years would be an additional \$182,568.

Given the GSLB sold 75 properties in 2014 and the more desirable properties were transferred to the GSLB earlier, we question whether the GSLB will be able to sustain a sales rate of 260 properties each year for the next 4 years. If that rate is not maintained, the Income and Net Income projections will most likely decrease accordingly. We show the impact of selling 100 fewer properties per year in the table above. We used an average sales price for the reduction in sales income, an average sales cost for the reduction in sales costs, and average maintenance costs for the increased maintenance costs caused by increased property inventory in our calculation. If the sales of property were to decrease by 100 properties per year and the inventory were to increase by those 100 properties per year above the GSLB projected inventories without inflation, we estimate the net GSLB loss would increase by \$3,514,568 over the four years.

Findings and Conclusions

After taking into consideration the above analysis and discussions with GSLB Executive Director, we have reached the following conclusions:

- The GSLB does not have an established long-term funding structure or surplus from its first two years of operations that will allow it to accomplish its mission going forward, given the projected property acquisition rates.

- Without a long-term funding structure in place, the GSLB will most likely have to reduce their property acquisition rate in the near future.
- GSLB sales of property estimates are very high and probably not attainable.
- Without additional grant funding from either the intermunicipal partners or other sources, the GSLB will not be able to continue its current rate of renovation, deconstruction, or demolition over the next four (4) years.
- If the GSLB continues to receive and sell properties from the City of Syracuse at the above rates over the next four (4) years, their maintenance expense will continue to grow at significant rates as a result of a growing inventory of properties (projected at approximately 1,200 properties at December 31, 2018, even with the very high projected sale of properties rate). In fact, the GSLB has indicated the properties they will be receiving over the next few years will probably be progressively less marketable (they received the more marketable properties up front). Acquisitions of parcels with structures are projected to decrease and acquisition of vacant parcels will increase significantly over the projected 4 year period. Inventories of parcels will also change accordingly.
- The current funding structure will not sustain the rate of growth for maintenance costs we are projecting with the acquisition and sale of properties at the above rates.

Recommendations

We have the following long-term sustainability recommendations for the GSLB:

1. **Develop permanent funding sources** – Given the GSLB mission is to acquire abandoned properties in order to return them to productive use and taxpaying status and the nature of the land inventory they are acquiring, public funding sources appear necessary to sustain their work. Currently, in addition to internal income sources, the GSLB has only year-to-year external funding sources available. Therefore, the GSLB needs to seek out permanent sources of external financing for operations in order to assure the acquired inventory of properties are maintained until ultimate sale or conversion to public use. Effectively, these additional funding sources appear limited to the intermunicipal partners and/or changes in New York State law or appropriations for supporting these efforts.
2. **Look for ways to reduce costs** – The GSLB current model of operations is primarily relying on the property managers to fully manage the properties it acquires. While the GSLB has attempted to provide oversight to the property managers, the efforts have fallen short of what would be necessary to control the costs of managing properties (see our findings and recommendations included in the Section IVC of this report). The GSLB will need to either substantially change its model for managing their properties or substantially increase their efforts to oversee the property managers, or a combination of both. The GSLB has already started to change its current model by contracting out specific functions rather than having those functions provided by the property managers (e.g., snow removal). In addition, the GSLB should continue to seek out ways to reduce the cost of acquisitions, either through negotiations with the City or State legislation, and reduce carrying costs by reducing the cost of City and County special assessments and other charges.

3. **Look for ways to increase internal income sources** – Since the GSLB only has two significant internal income sources, rental income and property sales, they should focus on those. First, for property sales income, while the GSLB had a good year with respect to land sales, many of the properties were sold below their appraised values. This may be valid in many cases and necessary in order to quickly sell properties to get them back on the tax rolls, but it represents a continuing loss of operating income for the GSLB. The Board should carefully consider each property sale in light of balancing the need to quickly and effectively get properties back on the tax rolls and the need for GSLB operating income. The Board has recognized this as a tradeoff issue and has, in January 2015, adopted a policy limiting the offers they will consider in the first 60 days a property is listed. Their goal is to allow sufficient time to receive reasonable offers. Second, the GSLB will need to better control and manage rental income (see our finding and recommendations included in the Section IVD of this report).

We have the following long-term sustainability recommendations for the intermunicipal partners:

4. **Develop permanent funding sources** – If the City and the County want the GSLB to be successful and accomplish the mission they have laid out for it, they will need to provide recurring and predictable sources of funding and encourage the GSLB to be as efficient as possible while also promoting internal sources of financing for the GSLB (see the above and following recommendations). If the intermunicipal partners want the GSLB to continue rehabilitation and demolition projects after the NYS Attorney General grant funding runs out, they will need to provide for or assist in acquiring additional funds for those purposes.
5. **Support reducing costs where they have the power to do so.** For example, while the GSLB is exempt from City and County property taxes, it is not exempt from certain City and County special assessments. In 2014, the GSLB paid in excess of \$95,000 in special assessments to the City and County. The intermunicipal partners may be able to address these fees in a way that would reduce the annual operating costs for the GSLB. In addition, the City may be able to reduce or assist the GSLB in reducing other costs (e.g., acquisition costs, demolition costs, etc.).
6. **Outcome based performance measures** – Establish and require measureable and useful performance measures for the GSLB to actually measure the outcomes they want to achieve (see Section IVB). This will help keep the GSLB focused on results (outcomes) and better keep the intermunicipal partners informed of progress towards their goals and/or focused on necessary adjustments. The intermunicipal partners can accomplish this by working closely with the GSLB Board and Executive Director and including the necessary performance measures in the intermunicipal agreement and/or the funding agreements.

Section IVB

Measuring and Reporting

Background

As stated in the Background section, the GSLB was created in March 2012 by an intermunicipal agreement between the City of Syracuse and the County of Onondaga. Its purpose is to “...help address the Parties’ problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax delinquent properties to productive use.”

The GSLB Board has established their mission as follows (Adopted August 14, 2012 and re-adopted January 20, 2015):

To address the problems of vacant, abandoned, or tax delinquent property in the City of Syracuse and the County of Onondaga in a coordinated manner through the acquisition of real property pursuant to New York Not-for-Profit Corporations Law section 1608 and returning it to productive use in order to strengthen the economy, improve the quality of life, and improve the financial condition of the municipalities, through the use of the powers and tools granted to Land Banks by the Laws of the State of New York.

The Board has also established guiding principles as follows:

1. Acquire and redevelop vacant and abandoned properties in Syracuse and Onondaga County, in a coordinated manner, consistent with local municipalities’ Comprehensive Plans.
2. Support the revitalization of neighborhoods and enhance quality of life for neighborhood residents.
3. Encourage investment in business districts through the assembly and marketing of commercial and industrial properties for private development.
4. Hold and maintain landmarks and properties of interest to the community in order to enable a rational planning process for their redevelopment.
5. Acquire real property or an interest in real property in order to preserve land for future public use.
6. Lessen the burdens of government and act in the public interest.
7. Stabilize and grow the value of the real property tax base.
8. Enable the City to increase the property tax collection rate within the City of Syracuse by acting as a receiver of foreclosed properties.

There are also requirements for the GSLB to report to their intermunicipal partners, as follows:

- The intermunicipal agreement (IA) requires annual financial statements audited by an independent certified public accountant. The GSLB has complied with this requirement for 2013 (the first full year of GSLB operations) and 2014 calendar years.
- The IA also requires the Executive Director prepare and Board review and approve a set of annual performance objectives. The GSLB has complied with this requirement for 2013, 2014, and 2015 years. These performance objectives appear comprehensive and consist primarily of detail output based objectives in three major areas: Capacity, Planning and Programming, and Production.
- The New York Land Bank Act (Article 16 of the Not-For-Profit Law) Section 1612 requires the land bank: *“...through its chairperson, shall annually deliver, in oral and written form, a report to the municipality. Such report shall be presented by March fifteenth of each year to the governing body or board of the municipality. The report shall describe in detail (1) the projects undertaken by the Land Bank during the past year, (2) the monies expended by the Land Bank during the past year, and (3) the administrative activities of the Land Bank during the past year. At the conclusion of the report, the chairperson of the Land Bank shall be prepared to answer the questions of the municipality with respect to the projects undertaken by the authority during the past year, the monies expended by the municipality during the past year, and the administrative activities of the municipality during the past year.”* The GSLB again provided this report for the completed 2013 and 2014 calendar years to the City of Syracuse Common Council and the Onondaga County Legislature. The reports consisted primarily of input and output measures of accomplishments.
- The Public Authorities Law requires the GSLB to prepare an annual report, including required reporting on the GSLB finances, Board members and Board operations, organization, policies and internal controls, accomplishments, and projects.

Methodology

We reviewed the GSLB annual performance objectives and their annual reports to the intermunicipal partners. We were looking for outcome based performance measures and accuracy and completeness of certain information in those reports.

Findings and Conclusions

There is evidence the GSLB is already well-developed in its adoption of goals and reporting on day-to-day operations and input and output measures, as evidenced by the above outlined reports. In addition, each of the above reports appears to be complete, addressing the required elements and aspects of operations.

However, we have three concerns related to reporting.

- **Reports to the Intermunicipal Partners** – We attempted to confirm key pieces of information in the 2014 GSLB reports to the intermunicipal partners. The GSLB should be able to produce supporting information for each item in the annual reports. While we were able to independently confirm the total

land transfers to the GSLB and the sales of property by the GSLB in 2014 (within one property), we had to use outside records to confirm them.

We were unable to confirm the \$7.6M amount contained in the 2014 report to the City of Syracuse by the GSLB for the total additional tax collections resulting from the threat of foreclosure and transfer of properties to the GSLB. We asked the GSLB for their calculations supporting that amount and we attempted to verify the figure using City of Syracuse collection figures. However, we were unable to obtain the tax collection data for every month from the City of Syracuse. In addition, the GSLB data provided to us with their calculations did not match up with the data we had received from the City for every month, with some months' data significantly different than the City data we had received.

We were also unable to verify the \$147,000 the GSLB reported as the amount the City and County will receive annually as additional property taxes on properties sold by the GSLB to taxable entities. We weren't able to verify the total because of differences in assessed values and the tax rates used by the GSLB when compared to actual City and County data.

We were able to verify the \$4.2M amount the GSLB stated was invested by buyers of GSLB properties in 2014. However, the amount was based on pledges contained in the buyers' purchase offers and related mortgage agreements on file with the GSLB, not actual investments. There was no way to determine the actual amounts invested by the purchasers because the data was not available to the GSLB.

There were other less critical data in the GSLB reports to the City and County we weren't able to verify or didn't attempt to verify.

- **Analysis of Data Provided** - There are limitations in some of the readily available data for program evaluation and there is often a need to dig below the surface to obtain the most accurate assessment of the GSLB's impact. For example, one measure of success the GSLB used is the impact of the new foreclosure process on the participating municipalities' delinquent tax collections. Information on this measure is routinely reported by the taxing jurisdictions ... but only on an aggregate basis. As a result, while it is relatively easy to document whether a municipality's overall collection rate of delinquent taxes has increased, additional research will likely be required to determine the reasons for any change.

For example, there are many possible reasons why a municipality's overall delinquent tax collection rate may have improved, including, but not limited to:

- More existing property owners have paid their taxes on time because of the new realistic threat of foreclosure by the City and subsequent transfer to the GSLB.
- Greater investment in City properties due to the neighborhood revitalization efforts stimulated by the GSLB's programs.
- A developer may have made a large one-time payment to satisfy a delinquency to obtain clear title and proceed with a major project, which may or may not be related to the municipality's change in foreclosure process or GSLB efforts.

- Previously tax delinquent properties may have been reclassified from “taxable” to “exempt” as part of the City/GSLB foreclosure process. (Such exempt properties by definition cannot become tax delinquent and therefore artificially reduce the delinquency rate.)

However, if only the aggregate delinquency rate were tracked (without analyzing contributing factors), we would risk not understanding the full impacts of GSLB’s efforts.

We encourage the City, the County, and the GSLB to continue their efforts to identify all of the components of such aggregate measures and to provide underlying support for all of their calculations in the reports so the most accurate assessment of GSLB’s impact can be produced.

➤ **Outcome Based Performance Measures** - Beginning the use of strategic level, outcome based performance measures at the Board level could help drive even more new and innovative approaches to achieving the GSLB mission. They could be used to emphasize and measure the goals laid out in the GSLB mission statement and the additional goals the Board has laid out. Emphasizing outcome based performance measures rather than simple workload indicators would help:

- Drive the achievement of the established goals,
- Deliver the stated objectives of the intermunicipal partners,
- Justify long-term funding, and
- Maintain status on the leading edge of the field.

Examples of the type of outcome based performance measures the Board could consider, by performance goal, include:

1. Acquire and redevelop vacant and abandoned properties in Syracuse and Onondaga County, in a coordinated manner, consistent with local municipalities’ comprehensive plans.
 - Reduction in the number of homes on the City’s vacant housing list
 - Number of vacant and abandoned properties transferred to private ownership
 - Comparison to the rate of vacant and abandoned properties in similar municipalities and/or neighborhoods over time (e.g., the City of Syracuse to the Cities of Buffalo, Rochester, and Albany).
2. Support the revitalization of neighborhoods and enhance quality of life for neighborhood residents. Measure the quality of life in the City of Syracuse and Onondaga County neighborhoods where the GSLB has been actively acquiring properties, as measured by the:
 - Reduction in the number of homes on the City’s demolition list.
 - Reduction in number of code enforcement citations.
 - Increased building permits issued.
 - Number of citizen complaints over time.
 - Citizen surveys related to the quality of life in the neighborhood.
 - Comparison of any of the above to similar municipalities and/or neighborhoods over time.
 - Other recognized measures for quality of housing stock.

3. Encourage investment in business districts through the assembly and marketing of commercial and industrial properties for private development.
 - Number of new private developments using GSLB properties for at least part of the development.
 - Dollar amount of private investment in the above developments.
 - Comparison of rates of private investment in similar municipalities or neighborhoods over time.
4. Hold and maintain landmarks and properties of interest to the community in order to enable a rational planning process for their development.
 - Number of existing landmarks and properties of interest actually acquired by the GSLB.
 - The dollar amount of additional resources (grants) acquired by the GSLB to stabilize threatened landmarks and properties of interest.
 - Compare rates of increase of landmarks and properties in similar municipalities or neighborhoods over time.
5. Acquire real property or an interest in real property in order to preserve land for future public use.
 - Number of acres of GSLB-owned green spaces, community gardens, and parks in Syracuse and Onondaga County made available for use by the general public.
 - Comparison of rates of increase of preserved acres in similar municipalities or neighborhoods over time.
6. Lessen the burdens of government and act in the public interest.
 - Reduction in the costs of foreclosure and related costs on tax delinquent properties.
 - Percent reduction on codes violations for housing stock.
 - Percent reduction in costs for providing direct services for properties (e.g., lawn maintenance, snow removal, etc.).
 - Comparison of the cost for providing direct services for properties in similar municipalities or neighborhoods over time.
7. Stabilize and grow the value of the real property tax base.
 - Percentage increases in total assessed property values in neighborhoods where the GSLB has been actively acquiring properties above the municipality-wide increase in assessed values.
 - The overall rate of increase in real property assessed values in the municipality compared to other similar municipalities and/or neighborhoods (e.g., the City of Syracuse to the Cities of Buffalo, Rochester, and Albany)
8. Enable the City to increase the property tax collection rate within the City of Syracuse, by acting as a receiver of foreclosed properties.
 - Increasing the annual rate of real property tax collections over the 2012 tax collection rate.

- Percentage reduction in the number of properties appearing on the annual City tax sale list.
- Comparison of rates of real property tax collection over time with similar municipalities.

There are many possibilities for performance measures and the intermunicipal partners and the GSLB Board would have to decide which performance measures work best for measuring the progress towards implementing the GSLB mission and strategies. They would also, because of cost, time, and organizational change considerations, have to limit the number of performance measures they use and establish the rules and requirements for determining each performance measure. Therefore, we also recommend, if the intermunicipal partners and the GSLB Board decide to implement performance measures, they work closely with the Executive Director, start with one or two measures, and build their performance measures from there. Using this approach, the Board, management, and staff can become comfortable with the use of performance measurement as a means to achieve the desired results.

We feel beginning the use of strategic level, outcome based performance measures at the Board level could help drive even more new and innovative approaches to achieving the GSLB mission using the strategies the Board has laid out. In addition, the use of strategic performance measures could be used to drive necessary support from the intermunicipal partners and the general public. Both of these benefits of using strategic performance measures could help contribute to the success of the GSLB.

Recommendations

We have the following recommendations for enhancing the GSLB measurement and reporting:

7. Ensure all reporting to the intermunicipal partners is supported by accurate data and calculations.
8. Provide detailed analysis behind reported figures and conclusions and take the analysis to its logical conclusion.
9. Begin providing outcome based performance measures to measure performance and achievement of objectives. Agreed to performance measures should be incorporated into the intermunicipal agreement and City and County funding agreements, as appropriate.

Section IVC

Property Management Company Oversight

Background

Since its establishment in 2012, the GSLB has relied heavily on contract property management companies (PMCs) to carry out their management functions with respect to properties they own. In 2013, the Board put out a request for proposals (RFP) for contract PMCs. There were six (6) replies to the RFP. On August 13, 2013, the Board authorized contracts with four (4) PMCs to manage properties for the GSLB, with two (2) bids not being approved for contracts. Currently, the GSLB is using two (2) of the original four (4) PMCs, with two (2) PMCs withdrawing from their contract in the fourth quarter of 2014.

Payments to Property Management Companies (PMCs) in 2014:

Project Management Company	GSLB Paid in 2014
Willowbank Company	\$200,684
Tempo Enterprises, LLC	\$297,424
CNY Affordable Reality, Inc.	\$103,594
Sutton Real Estate (Diversified Services)	\$51,180
Total	\$652,882

During 2014, the GSLB generally relied on the PMCs for:

- Conducting initial inspections, including: the first comprehensive inspection, security and clean-up work, and stabilization of properties.
- Maintenance of properties including: continuous inspections, regular clean-up and security work, lawn mowing, snow plowing, etc.
- Subcontracting major repairs, maintenance and other work on the properties, as necessary.
- Rental management of properties, including: establishing rental agreements with occupants; collecting monthly rent; following through on unpaid rent and/or complaints/problems with tenants; and evicting or otherwise removing tenants when rent is unpaid, property is sold, or excessive problems occur.
- Listing properties for sale and acting as the sales agent for their assigned properties.

At December 31, 2014, the GSLB owned 395 properties. These properties were divided up among the PMCs as follows:

Property Manager	Number of Properties
Willowbank Company ⁽¹⁾	274
Tempo Enterprises LLC	112
CNY Affordable Reality, Inc.	1
Unassigned/Unknown	8
Total	395

(1) Willowbank picked up the remaining properties from CNY and Sutton in the 4th quarter of 2014.

(2) The breakdown on these numbers was supplied by the GSLB

The contracts between the GSLB and the PMCs contain numerous requirements the PMCs must comply with and the GSLB staff must monitor and enforce. The key contractual requirements related to the PMCs include:

- Complete a property intake form and provide it to the GSLB with photographs of interior and exterior within seven (7) days of acquisition.
- Board-up and secure property as reasonably necessary to protect the GSLB's interest if the property is vacant.
- Install new locks or re-key existing locks.
- Promptly remove or correct any unsafe or unhealthy conditions/code violations present on the properties.
- Collect all rent and other payments due from tenants in the properties and perform all other rental property functions (this is more fully described in Section IIID, Rental Management Oversight).

- Perform all maintenance on the buildings and grounds of the properties, including vacant properties, as instructed by the GSLB.
- Devote their best efforts to serving the GSLB as a property manager.

The contractual relationship between the GSLB and the PMCs is one where the GSLB should maintain a certain degree of control and oversight over the activities of and payments to the PMCs. The controls required and the necessary oversight requirements include, but are not limited to, the following:

- Intake control, including review and verification of the inspection results, completion of the initial security, clean-up work, and stabilization of properties. While it may not be necessary for the GSLB to conduct on site visits with or after the PMCs complete their intake work for each property, there should be evidence the GSLB conducted sufficient review and/or oversight. Sufficient would include ensuring accurate and reliable information is available from the PMCs based on the initial inspection and intake and required property maintenance and improvements have been performed and properly billed to the GSLB.
- Oversight and verification of property maintenance, including: periodic follow-up of continuous inspections, regular clean-up, security work, lawn mowing, snow removal, etc.
- Receiving, reviewing, and approving plans, quotes, bids, contracts and payments for subcontractor work on properties and ensuring the subcontractor work is completed according to the plans, quotes, bids, and/or contracts and is properly billed to the GSLB. According to board policy and the PMC contracts, any commitments for expenses greater than \$500 require pre-approval by the GSLB Executive Director and any commitments greater than \$1,500 require pre-approval of the GSLB Board.
- Establishing control over and monitoring occupied property management and rent receipts, including establishing whether properties are occupied at the initial inspection, maintaining lease agreements on file for rented properties, maintaining controls over rent receipts and unpaid rent, and following through with evictions and voluntary evacuations of properties.

Methodology

We reviewed the GSLB controls over monitoring and evaluating the performance of the PMCs. During our initial risk assessment, we asked what procedures were in place to monitor the performance of the PMCs. The Executive Director indicated there was an employee assigned to monitor the performance of the PMCs; however, the employee was no longer with the GSLB when we started our review.

We asked about documentation of oversight and control efforts with respect to the PMCs and we were told documentation did exist for certain functions but otherwise generally oversight was verbal and documentation did not exist. We asked specifically about any efforts to monitor and confirm the payments to the PMCs for the various tasks for which they submitted monthly vouchers. We were told the vouchers were reviewed by the Executive Director before she signed them.

Based on the initial work and information we gathered during our risk assessment, the significant reliance the GSLB placed on the PMCs, and the significant payments made to the PMCs, we determined the PMC oversight was a high risk area. We therefore included GSLB PMC oversight in our scope of work for additional procedures.

Our methodology for this part of our scope included:

- **Payment Histories and Account Analysis**

We reviewed payment histories for seven (7) properties to verify the payments to PMCs and others and documentation to vouchers, initial inspection reports, pictures, and other records. We also obtained 2014 expenditure account detail data and reviewed and sorted the data looking for various common potential problems.

- **Procurement Procedures**

We selected 22 payments in 2014 in excess of \$500 to or managed by the PMCs for board-ups, debris removal, renovation, stabilization, demolition/deconstruction, and environmental services. We asked for supporting plans, quotes/bids, evidence of proper plan approval, and evidence of follow-up inspection and documentation of work to show it was completed according to the quote/contract.

- **Property Sale Procedures**

We selected 15 properties for review of sales transactions.

- **Property Visits**

We selected ten properties for site visits and were able to visit eight of them on June 23, 2015.

We also attempted to establish a list of potential rental properties for conducting tests of rental income. (We address what we did with respect to rental management oversight and the results of the work in Section IVD, Rental Management Oversight. Please see Section IVD of the report for more detail information and results of our tests.)

Findings and Conclusions

Payment Histories and Account Analysis

Our review of payment histories and expenditure account analysis found a lack of documentation for the PMCs periodic inspections, lack of documentation and/or detail for work estimates/quotes, lack of control over personal property found on newly acquired property, and questionable payments to the PMCs. In general, while we were provided some written quotes and invoices, we did not see written documentation of GSLB oversight activities. More specifically we found:

- No written evidence other than the billing vouchers documenting the PMCs had conducted periodic inspections; no sign-off sheets noting problems/issues or changes from the prior inspection, no photographs, etc.

- No written evidence the GSLB staff verified the initial inspections or verified work performed by the PMCs or their subcontractors by performing periodic field inspections or obtaining photos before and after completed periodic inspections, maintenance work, or major repairs.
- Several properties acquired by the GSLB had significant amounts of personal property on site, as evidenced by pictures from the initial inspections. The Executive Director indicated she believed the personal property was handled by clean-up crews sent into the properties. We found no evidence the GSLB attempted to inventory personal property left on acquired properties or appropriately sold or otherwise disposed of the personal property in accordance with Board policy. We had a number of examples of what appears to be personal property left at property the GSLB acquired. One such property had cars, boats, truck, equipment ramps, tools, and other items. Another property showed what appeared to be new heating ducts not installed, remodeling equipment, bundles of insulation, a new bathtub, a number of electrical panels in the basement and more.
- There were several instances in which GSLB documentation for the properties was not complete or accurate; i.e., dates of inspections, names of PMCs, and occupancy status.
- There were several instances where work was billed to and paid for by the GSLB, but was questionable as billed. These include:
 - Payments of \$30,755 for lawn mowing services in March, April, October, November and December of 2014. Specifically, there was \$75 for March 2014, \$2,455 for April 2014, \$17,330 for October 2014, \$10,795 for November 2014, and \$100 for December 2014. For November, 113 properties were billed for lawn mowing services, with 15 of those properties having lawn maintenance charges of over \$200 each for the month.
 - Instances of invoices containing duplicate or conflicting services. In one instance, the GSLB was billed for and paid a charge of \$300 twice on November 21, 2014 for an initial inspection. In another instance, the GSLB was billed for and paid a \$300 charge for an initial inspection and \$50 charge for a periodic inspection for a property, both conducted same month and paid for with the same invoice.
 - We noted six (6) properties had 3 to 5 invoices per property in 2014 for board-up expenses with the total per property for the year ranging from \$515 to \$1,055. There was no documentation the GSLB had inspected these properties for work needed or completed.
 - Payment for lawn mowing at a property consisting of a building and parking lot but no lawn.

Procurement and Costs

Our review of procurements and costs found lack of documentation and/or detail for work estimates/quotes, possible attempts to circumvent Board procurement requirements and approvals, a lack of documentation of contract completion and inspection, and questionable payments. In general, we did not see sufficient written documentation of GSLB oversight activities. More specifically, we found:

- A lack of written quotes/estimates obtained by the GSLB from the PMCs before work was started. We noted this lack of documentation even in procurements where the dollar amount required written or faxed quotes from three vendors according to Board policy. Of the 22 payments we selected for proper documentation of quotes/estimates on work overseen by the PMCs, we found many of them lacked one or more written quote/estimate. In addition, many of the quotes/estimates we were provided lacked sufficient detail to properly compare the quotes/estimates, monitor the progress of the work, or to sign off when the work had been properly and fully completed. For example, of the 22 payments we selected for proper documentation of estimates, we found:
 - Three instances where the quotes received for work to be completed were in an e-mail with just a dollar amount for each vendor. We were provided no detail to support the dollar amounts quoted.
 - One instance where a quote for a property clean-out of \$785 was provided in an e-mail. However, the GSLB ultimately paid \$1,935 for the cleanout with no further written explanation.
 - Even though, because of the dollar amount involved, three (3) written quotes were required for a lead abatement survey, we were provided with only one quote from one contractor. Ultimately, the Board approved this work, but approved a different contractor than the one quote provided to us.
 - One instance where the same PMC charged two (2) invoices to a property for cleanout. One was for \$950 for the exterior cleanout and \$1,355 for the interior cleanout. Because of the total dollar amount involved, to comply with the Board procurement policy, this total clean-out should have supported by at least three informal quotes supported by a written or digital log. We were provided with no evidence the three quotes were solicited, received or used to determine the vendor supplying the services.
- Lack of written documentation on work performed and review of completed work. For the 22 payments we selected, we were provided with no inspection reports, before or after pictures, or other documentation either the PMC or the GSLB had inspected the completed work and approved it for payment. The Executive Director indicated work was visually inspected prior to payments, but they did not generate a written record or other documentation of the inspections.
- A PMC installed a tarp over a leaking roof at 111 Gertrude Street, but this work was noted as “held for billing” on their June 11, 2014 bill and no price was charged. Then, on June 24, 2014, the PMC invoiced \$875 for installing a tarp on the roof. The Executive Director indicated, based on her knowledge of the transaction, the payment was withheld until the work could be inspected.
- The GSLB was paying PMCs \$25 to \$35 for each snow removal during the 2013-2014 snow season. The Executive Director decided to bid out snow removal separately from the PMCs for the 2014-2015 season. The contract for snow removal came in at \$8 per snow removal.

Property Sales

Of the 75 properties sold in 2014, we selected 15 for testing. Of those tested, ten (10) were sold to individuals or corporations and five (5) were sold to Home Headquarters (HHQ). Our review of property sales found a lack of documentation of the completion of required background searches and a lack of appropriate disclosures of sale circumstances in two instances. More specifically, our review of these property sales found:

- Summary of Property Sales in 2014:

Average Days Held	Total Sale Amount	Total Asking Price	Total Appraised Value	Total 2014-2015 Assessment	Total 2015-2016 Assessment
204 Days	\$1,007,500	\$1,338,431	\$1,415,000	\$3,497,100	\$2,975,700

- Prior to the approval of a property sale, Board policy states “An Applicant is disqualified if:
 - At the time of the Applicant's application, there are unpaid and past due taxes with respect to any real property owned by the Applicant which is located in Onondaga County;
 - A property owned by the applicant has been foreclosed upon for tax-delinquency by the City of Syracuse or County of Onondaga and transferred to the Land Bank;
 - At the time of the Applicant's application, the Applicant owes the City of Syracuse or Onondaga County amounts for past due bills, fines, or fees;
 - There are open code violations or a history of code violations with respect to real property owned by the Applicant;
 - Multiple nuisance abatement cases or proceedings have been commenced with respect to real property owned by the Applicant; or
 - The Applicant, or any spouse, parent, sibling or child of the Applicant, possessed an interest in the property for which the Applicant is applying to purchase at the time such property was foreclosed upon by the City of Syracuse or the County of Onondaga for tax delinquency.”

While the Executive Director indicated she conducts searches for delinquent taxes and code violations, there was no supporting documentation provided to us for the verification of code violations and delinquent tax payment status on property owned by prospective purchasers prior to acceptance of a purchase offer. The Executive Director indicated for the other items above the GSLB relies on answers to questions on the application to determine whether the applicant qualifies to purchase the property. There was no indication searches were conducted for the other above concerns. While it is after the fact, of the 10 properties we tested sold to individuals/corporations from the period of May 30, 2014 to December 19, 2014, five (5) have unpaid current year's property taxes on the properties they purchased. According to the Executive Director, she followed up with the City of Syracuse Finance Department and they found a system problem where the property tax bills were not being properly sent to the new property owners. She indicated the City is currently addressing the problem.

- One property sold to a private individual or corporation, the actual buyer at closing differed from the buyer approved by the GSLB Board. In this instance, there was no written evidence supplied to us the Board was informed the purchaser would be someone other than the Board authorized purchaser. The Executive Director indicated she and the GSLB Counsel had discussed this change of purchaser with the Board, but the discussion was not reflected in the Board minutes.
- One property was acquired by the son of the owner of a PMC assigned to managed property and sales transaction for the GSLB. The property was offered for sale on February 2, 2014, for \$44,900 and subsequently appraised for \$15,000 on April 1, 2014. A \$15,000 purchase offer was submitted on March 28, 2014 by the buyer. Included with the purchaser offer was a letter from the owner of the PMC providing financial support for the son's endeavor. The management agreement between the PMC and the GSLB states "The Manager shall not deal or contract with any organization in which it, or any principal, officer, or employee of the Manager, has an interest, either directly or indirectly, without first disclosing to the Owner in writing the nature of such interest before the dealing or contract is entered into..." We found no written evidence the GSLB Board was made aware of the relationship of the buyer to the GSLB contractor. The Executive Director indicated she made the Board aware of this situation, but the discussion was not reflected in the Board minutes.

We discuss requirements and issues with the property sales to another non-profit corporation in Section IVE, Interrelationships and Related Issues.

Property Visits results: We selected ten properties for site visits and were able to visit eight of them on June 23, 2015. Based on those property visits, we have the following concerns:

- The GSLB was billed for and paid \$750 for a new water heater (per the voucher) for one property in June of 2014. However, when we visited the property, we found two obviously older used water heaters. The GSLB staff indicated the PMC must have installed a used water heater instead of a new one.
- The GSLB was billed for and paid \$460 for painting a porch on another property. While there were indications the porch had been painted, it appeared the work in painting the porch was low quality. We found the porch badly peeling with old paint and bare wood underneath exposed.
- One property where the front yard was mowed, but the back yard was not mowed.

Recommendations

If the GSLB decides to continue with the PMC model it has been using, we recommend they:

10. Authorize hiring additional staff to effectively perform review, approval and oversight functions related to the PMCs. As a follow-up, we were informed by the Executive Director the GSLB hired two (2) additional staff members to perform these functions in April 2015.

11. Establish clear assignment of the duties related to PMC oversight and clear expectations for GSLB oversight of the PMCs. These expectations should include, at a minimum:
 - Require detailed written quotes for all work planned in order to effectively oversee the work and inspect the completed projects. The need for this up-front documentation was evident both in documentation submitted to us and based on our property visits.
 - Effective review and approval of written plans, quotes/bids, and subcontractors prior to granting approval for projects falling within the dollar amounts requiring these activities.
 - Complete, written approval, review, and follow-up documentation of where appropriate, including pictures before and after completion of work. Again, the need for GSLB inspections was evident both in documentation submitted to us and based on our property visits.
 - Effective field visits when appropriate to review and inspect the work of the PMCs or their subcontractors.
 - Effective review of vouchers submitted by PMCs for payment of work performed. Among other things, this review should specifically look for duplicate and questionable items billed to the GSLB. It should also include verification of pre-approval and compliance with purchasing requirements for larger items, and verification the items purchased or services were actually received or work completed, all with appropriate documentation.
12. Ensure all projects requiring quotes/estimates have sufficient numbers of quotes/estimates or an explanation as to why the required quotes/estimates were not obtained. In addition, each bid/quote/estimate should be in writing where required and provide sufficient detail of the work to be completed and the materials to be used to be able to evaluate and compare bids, monitor work in progress and evaluate work and quality once it is completed.
13. Consider bringing the property inspection function in house to separate the duties of property management and inspection and create independent oversight inspection processes over the PMCs. According to the GSLB annual report, they paid the PMCs over \$90,000 for the initial inspections and over \$135,000 for periodic inspections in 2014.
14. Continue to look for ways to reduce costs by contracting services independent of the PMCs or bringing them in-house. Some examples of this included:
 - When snow removal services were included in Property Management contracts; the snow removal rate per time, per property was \$25 for vacant properties and \$35 for occupied properties or more. GSLB paid over \$44,000 for snow removal services in 2014. The Executive Director was able to bid out snow removal services on their properties at \$8 per property. This leads to a significant savings overall in just this category. In January 2014, one PMC charged \$2,980 for snow removal for the various properties they were contracted to manage. This was at

the \$25 and \$35 rate per property. If the rate had been \$8 per property during January 2014, the cost would have been \$944 or an overall savings for one month, for just one PMC of \$2,036.

- Lawn mowing service provided by the PMCs similarly was charged at \$25 per time, per property or more and was conducted two to three times per month on each property in 2013 and 2014. GSLB paid over \$115,000 for lawn maintenance, including mowing and tree removal, services in 2014. The Executive Director rebid this service in 2015 to be supplied by a single vendor, but still supervised by the PMCs. The 2015 cost for lawn mowing will now be just over \$14 per mow, per property.
- We encourage the GSLB to look for similar savings in other areas of services provided by the PMCs and other contractors. Other possible areas (and their 2014 reported costs to the GSLB) include: board-ups (over \$45,000), debris removal (over \$110,000), rekeys (over \$23,000), property appraisal (over \$39,000), accounting services (approximately \$80,000), etc. The Executive Director has stated she intends to pursue other similar cost saving opportunities in 2015.

15. The Board has established written policy for controlling and disposal of real and personal property the GSLB owns. The Board should also establish written policy for abandoned personal property left in properties acquired by the GSLB. The GSLB staff should implement procedures for inventorying, selling or otherwise properly disposing of usable personal property it has acquired with real property in accordance with the Board policy.

16. Broaden and document searches of disqualifying factors for property purchase applicants.

Section IVD

Rental Management Oversight

Background

As mentioned in the Background and Section IVC, from establishment in 2012, the GSLB has relied heavily on contract property management companies (PMCs) to carry out their management functions with respect to properties they own. Included in these management functions assigned to the PMCs is rental management of occupied properties. The contracts between the GSLB and the PMCs contain certain requirements the PMCs must fulfill and the GSLB staff must monitor and enforce. The requirements for occupied properties include, but are not limited to:

- Conducting an initial inspection, including determining whether the property is occupied, whether it is in appropriate condition to be occupied, the extent of necessary repairs, etc.;
- Developing a budget consisting of estimated rental income and estimated expenses, including repairs and maintenance;
- Obtaining a lease agreement;
- Establishing a rent roll, collecting rents, and depositing rental income into the GSLB bank accounts;

- Monitoring, including regular inspections and being available for complaints/requests;
- Managing maintenance and repairs, including adherence to the GSLB procurement and pre-approval of work policies;
- Notifying and working with the GSLB when rents are unpaid or eviction otherwise becomes necessary.

In addition, the contractual relationship between the GSLB and the PMCs is one where the GSLB should maintain a certain degree of control and oversight over the activities of and payments to the PMCs. The necessary controls and oversight requirements for occupied/rental properties by the GSLB should include, but are not limited to, independently:

- Establishing whether properties are occupied at the initial inspection and the condition of the building;
- Obtaining and maintaining lease agreements on file for all rented properties;
- Maintaining sufficient oversight and control over rent receipts and unpaid rent;
- Following through with evictions and voluntary evacuations of properties; and
- Periodic random inspection of occupied properties to assess conditions.

While we fully realize the challenges and difficulties associated with managing occupied properties of the type the GSLB receives, we also feel proper oversight of the PMCs is very important as the GSLB carries out its governmental function. Without the proper oversight and controls in place, the GSLB exposes itself to significant risk from the rental function and even potential loss of rental revenue. Going forward, the controls and oversight of the rental income will become more significant if other revenue sources begin to dry up.

Methodology

We reviewed the GSLB controls over monitoring and evaluating the performance of the PMCs with respect to occupied/rental properties. During our initial risk assessment, we asked what procedures were in place to monitor the performance of the PMCs on rental activities. We were told:

- While the GSLB was regularly in touch with the PMCs on all aspects of the property management activities, most contact with the PMCs was verbal (generally by telephone) and was not documented.
- The GSLB accountant monitored the rental collections and notified the Executive Director when rents weren't paid. We were not able to verify this was occurring.
- The GSLB staff kept a spreadsheet to monitor rental collections. We asked for a copy of the spreadsheet for monitoring rental payments, but we were unable to obtain it.
- When we asked for a listing of occupied properties at the time the GSLB took them over, we were told the staff maintained a database with occupied property being flagged. We were able to obtain a printout from the database. However, once the property was vacated, the property status was changed in the database and you could no longer tell whether the property had been occupied while GSLB owned it. Therefore, the database was not complete.

Ultimately, we were unable to obtain a full listing of occupied properties at the time the GSLB took them over or any monitoring system the GSLB used to monitor occupied properties' rental activity or payment status.

We then decided to include rental management within the scope of our review. The first thing we attempted to do was to independently compile a full listing of properties occupied at the time they were acquired to establish the potential scope of the rental property management requirements. In order to do this, we used property management fees paid on occupied properties and payments by the GSLB for utilities and evictions. After we compiled the information, we matched it up with intake documents and pictures of properties we had reviewed (approximately 20 properties) and added any properties appearing occupied at intake but not included on the list to begin with. Lastly, we added the actual rental payments received by the GSLB and identified gaps in rental payments. While we think we have a reasonably complete list of occupied properties at this point, we are still not certain all occupied properties have been included.

Our methodology for this section of our scope included:

- Reviewed property intake records (including pictures); payment histories for rental management, occupied property inspections, and utilities; eviction and property sales records; property visits; etc. to determine whether a property was occupied and should have been paying rent.
- Developed a spreadsheet from all of the above information and the property rent payment information from the general ledger.
- Reviewed the rental property master spreadsheet we developed per above to determine potential gaps in rental income.
- Requested budgets, leases, rent rolls, eviction notices, GSLB notes, documentation of GSLB oversight, etc. on 18 of the properties with gaps in rent payments from the GSLB.
- Followed up on gaps in rental income and other information received from GSLB.
- Visited selected properties to verify occupancy, condition, completion of work, etc.

Findings and Conclusions

Property Manager	Rent Record	Number of Properties	Average Rental Income
PMC 1	\$ 6,569	6	\$ 1,095
PMC 2	\$ 3,400	2	\$ 1,700
PMC 3	\$ 47,895	20	\$ 2,395
PMC 4	\$ 63,601	29	\$ 2,193
Total Rent Recorded	\$ 121,465	57	

PMCs' Rent Collections in 2014 (Table 2)

Our results include:

- We asked for copies of leases on file for 18 rental properties and received three (3).
- We asked for annual budgets for 18 rental properties and received none.
- A number of properties were misclassified in the GSLB ledger (classified as occupied when they weren't or vice versa).

- No written evidence GSLB staff established control over occupied properties or regularly monitored rental collections or rent collection performance of the property management companies.
- Lack of written guidance to PMCs on when they are required to report gaps in rental collections to the GSLB.
- Significant (one month or more) gaps in rental collections for 38 of 57 properties, a 66% gap in rental collections. Gaps in rental collection can occur for any number of reasons. For example: generally rental collections are delayed for one or more months after the GSLB acquires a property; when a tenant stops paying rent, it takes at least a month and usually longer to evict or otherwise vacate the property; etc.
- Lack of regular reports to the GSLB from the property management companies on the status of rent collections for occupied properties.

Recommendations

If the GSLB decides to continue with the PMC model for managing occupied properties it was using in 2014, we recommend they:

17. Assign rental income control and oversight to one GSLB employee.
18. Establish a control process that independently identifies occupied properties during the intake process and sets up the GSLB monitoring and oversight process going forward.
19. Establish written procedures for PMCs reporting to the GSLB the status of occupancy and rental income on a regular basis.
20. Establish a written policy and process for GSLB monitoring the occupancy and rental income including documentation of review and follow-up on the monthly bills by the PMCs, periodic visits to the occupied properties to independently verify status, and follow-through with non-payment of rent and other issues leading to eviction.
21. Proper documentation should be required and provided at appropriate points in time.
22. The GSLB Executive Director should periodically assess the performance of the employee overseeing the rental management area to ensure the proper control and oversight activities are taking place, proper documentation is being accomplished, and to provide feedback and changes to procedures, where appropriate.

The lack of significant oversight and control over occupied properties and rental income leaves the GSLB vulnerable to risk of additional liability and potential loss of revenue. Establishing effective controls will help assure the GSLB Board, Executive Director, and the intermunicipal partners the GSLB is doing everything it can to manage properties entrusted to it and make the most of its limited income sources. The GSLB hired two additional staff members in April 2015. In addition to other duties, the Executive Director indicates the new staff members will be conducting monitoring activities for properties under GSLB ownership.

At the time we discussed this Section with the Executive Director, she indicated, with the new staff at the GSLB, they were in the process of implementing the above recommendations.

Section IVE

Interrelationships and Related Issues

Background

As stated in the Background section, the GSLB was created in March 2012 by an intermunicipal agreement between the City of Syracuse and the County of Onondaga. Its purpose is to “...help address the Parties’ problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax delinquent properties to productive use.”

We chose this scope area because:

- There were two GSLB board members who also sat on the Home Headquarters, Inc. (HHQ) Board of Directors during at least 2013 and part of 2014. The GSLB has a number of contractual arrangements with HHQ and its related entity/subsidiary corporations. These include:
 - A co-development agreement with HHQ for renovations funded by a grant from the New York State Attorney General’s Office (AG). The properties to be renovated are sold by the GSLB to HHQ at discounted rates, with the AG funds and sometimes other grants used to renovate the properties. Once renovated, the properties are then sold by HHQ, with the proceeds of the sale being retained by HHQ. The co-development agreement was signed April 23, 2014. As part of the co-development agreement with GSLB, HHQ contracted with one of their related entities/subsidiaries, Opportunity Headquarters, Inc., to conduct rehabilitation work on properties covered by the agreement.
 - Lease agreements allowing HHQ to manage AG grant funded demolitions.
 - Contract outsourcing to allow HHQ to manage redevelopment projects outside the City of Syracuse funded with Onondaga County grants.
 - Property management contract with CNY Affordable Realty, Inc., a not-for-profit related entity/subsidiary of HHQ. CNY Affordable Realty stopped managing properties for the GSLB in late 2014.
 - Lease agreements with CNY Affordable Properties, Inc., a for profit related entity/subsidiary of HHQ, that enable them to use Syracuse Industrial Development Agency (SIDA) funds to demolish blighted GSLB properties.
- One of the GSLB Board members was and is a non-voting HHQ board member and the other was a HHQ board member and Vice President. However, according to HHQ board meeting minutes provided to us by the GSLB Executive Director, the HHQ voting board member and Vice President resigned from HHQ on April 2, 2014.

- The GSLB legal counsel is also a legal counsel for the HHQ and its affiliated entities. On November 12, 2013, the GSLB Board approved a resolution waiving a conflict of interest for dual representation of GSLB and HHQ “...with respect to various business transactions...” The Executive Director (ED) signed an acknowledgement and consent form attached to a letter dated November 4, 2014, explaining the conflict and potential consequences related to it.
- One GSLB board member is a home builder and one owns a real estate firm. There are no alleged conflicts of interest with these board members. However, they are working in related fields.
- There are significant transactions directed by the GSLB, but not directly expended by the GSLB. These include: Property Management Companies (PMCs) receiving reimbursement for expenditures on property improvements and repairs, maintenance work, etc.; and HHQ and other similar type organizations doing property improvements on land transferred to them from the GSLB and at the direction or oversight of the GSLB;
- Properties often are sold by the GSLB at below appraised value, including those to HHQ. While all sales are approved by the GSLB Board and there are many legitimate reasons why such sales should go forward, this could create a potential for conflict of interest or ethical situations to arise.

Our objectives for this scope area include:

- Determine the level of disclosure and monitoring for interrelationships and related issues. If there are interrelationships or related concerns, evaluate and report on them, as appropriate.
- Determine if there are sufficient controls in place at the GSLB to provide a high degree of visibility for interrelationships and prevention and detection for conflicts of interests, ethics issues, or the appearance of either in GSLB transactions. The GSLB’s and City and County’s best interest must always be behind each GSLB transaction. GSLB should be monitoring and controlling the property and other transactions to help prevent conflicts of interest or related issues. The goal is for the best outcome for each property and for the intermunicipal partners.

The Board members and staff of the GSLB are subject to the following laws and policy with regards to interrelationships, conflicts of interest, ethics requirements, and/or disclosure requirements:

- **Not-for-Profit Corporation Law (NPC), Section 1614** – This section states: “No member of the board or employee of a land bank shall acquire any interest, direct or indirect, in real property of the land bank, in any real property to be acquired by the land bank, or in any real property to be acquired from the land bank. No member of the board or employee of a land bank shall have any interest, direct or indirect, in any contract or proposed contract for materials or services to be furnished or used by a land bank. The board may adopt supplemental rules and regulations addressing potential conflicts of interest and ethical guidelines for members of the board and land bank employees.”
- **NPC Law, Section 1605 (l)** – This section states “Each director, officer, and employee shall be a state officer or employee for the purposes of sections seventy-three and seventy-four of the Public Officers Law.” Public Officers Law Section 73 applies to business and professional activities by state officers and employees and party officers and governs the conduct of and the disclosure requirements for such officers and employees in their official capacity. Section 74 is the New York State code of ethics.

- **NPC Law, Sections 715 and 717** – Section 715 applies to related party transactions and Section 717 requires board members and officers to “...discharge the duties of their respective positions in good faith and with the care of an ordinary prudent person in a like position would exercise under similar circumstances.”
- **Public Authorities Law (PBA), Section 2824** – Applicable to the GSLB, has language very similar to NPC requirements for board members but it goes further. PBA Law requires board members to “...perform each of their duties as board members, including but not limited to those imposed by this section, in good faith and with that degree of diligence, care and skill which an ordinarily prudent person in like position would use under similar circumstances, and may take into consideration the views and policies of any elected official or body, or other person and ultimately apply independent judgment in the best interest of the authority, its mission and the public.” In addition, each board member is required to sign an oath that “...acknowledges that he or she understands his or her role, and fiduciary responsibilities as set forth in paragraph (g) of this subdivision, and acknowledges that he or she understands his or her duty of loyalty and care to the organization and commitment to the authority's mission and the public interest.”
- **(PBA) Law, Section 2824(d)** – Requires the GSLB Board to “adopt a code of ethics applicable to each officer, director and employee that, at a minimum, includes the standards established in section seventy-four of the public officers law;” In addition, section 2825 requires “Board members, officers, and employees of a local public authority shall file annual financial disclosure statements with the county board of ethics for the county in which the local public authority has its primary office pursuant to article eighteen of the general municipal law.”
- **Intermunicipal Agreement between Onondaga County and the City of Syracuse** – This document creates the GSLB and states: “No Member of the Board or employee of a Land Bank shall acquire any interest, direct or indirect, in Real Property of the Land Bank or in any Real Property to be acquired by the land bank. No Member of the Board or employee of a Land Bank shall have any interest, direct or indirect, in any contract or proposed contract for materials or services to be furnished or used by a Land Bank. The Board shall establish policies and procedures requiring the disclosure of relationships which may give rise to a conflict of interest and may adopt ethical guidelines for Members of the Board and employees of the Land Bank. The Board shall require any Member of the Board with any direct or indirect interest in any matter before the Board disclose the member’s interest to the Board before the Board takes any action on the matter.”
- **GSLB By-Laws, Article VIII, Conflicts of Interest** - Defines conflicts of interest and disclosure requirements for Board members and employees and lays out the conditions and results of any conflicts or non-disclosure.
- **Code of Ethics** - GSLB Policies include a comprehensive Code of Ethics which applies to all Board members and employees.

Methodology

We started by asking if there were any financial disclosure statements with the GSLB. The Executive Director told us it wasn't their practice to keep any financial disclosure statements on file with the GSLB. She told us Board Members abstain from time-to-time from voting on activities where they may have an interest. However, they do not always disclose the reason for abstaining on a vote.

The Executive Director initially indicated financial disclosure forms were required by Onondaga County and the City of Syracuse according to their respective ethics laws. She said she understood the Board Members filed annual financial disclosure statements with the Ethics Boards of their respective appointing authority/intermunicipal partner in years prior to 2015. However, in May 2015, the Executive Director realized that all GSLB financial disclosure statements were required by Public Authorities Law to be filed with the Onondaga County Ethics Board.

We inquired of the Ethics Boards for the City of Syracuse and Onondaga County. We were told by the City of Syracuse Attorney's Office the GSLB Board Members had not filed disclosure statements for the current and previous years. We were told by the Onondaga County Attorney's Office the GSLB disclosure filings were only available to us on request under the Freedom of Information Law, with redactions. The Onondaga County Ethics Board did provide us with copies of redacted disclosure statements for all GSLB Board members and the Executive Director for the May 2015 required filing.

During the course of our work with GSLB transactions, we:

- Attempted to determine the outside interests of the Board Members and other related parties using disclosure statements, Board minutes, resolutions, and other research.
- Attempted to follow through on costs passed through to the GSLB, on a sample basis, to determine if the ultimate supplier of the goods or services was independent from the decision making process.
- Attempted to follow through on property sales, on a sample basis, where the sales price was substantially below the appraised value to determine subsequent sales and any potential interrelationship, conflict of interest, ethical issues, or other interests.
- Reviewed five (5) properties sold by the GSLB to HHQ. Four (4) of these properties were renovated pursuant to a NYS Attorney General Renovation Subsidy grant. One of the properties was purchased by HHQ under the GSLB Affordable Housing Discount Program. All of the five (5) properties were purchased below appraised value and GSLB supplied HHQ with grant monies for renovation of four (4) of the properties.

Findings and Conclusions

- There appears to be sufficient law and policy in place to require disclosure of potential conflicts of interest or prevent conflicts of interest by GSLB Board Members and employees. However, it appears these financial disclosure statements are not maintained on file at the GSLB and the GSLB relies on Board Members and employees to self-disclose potential transaction interrelationships, conflicts of interest, or ethical concerns that may warrant a review of compliance with legal or policy requirements.
- In addition, there were some interrelationships between GSLB and HHQ:
 - Two of the GSLB Board members also sat on the HHQ Board at various times. One of the GSLB Board members was and is a non-voting HHQ board member (became a non-voting member in December 2013) and the other was a HHQ board member and Vice President. However,

according to HHQ board meeting minutes provided to us by the GSLB Executive Director, the HHQ voting board member and Vice President resigned from HHQ on April 2, 2014.

- The GSLB law firm was also the law firm for the HHQ and its affiliated entities. On November 12, 2013, the GSLB Board approved a resolution waiving a conflict of interest for dual representation of GSLB and HHQ “...with respect to various business transactions...” The Executive Director (ED) signed an acknowledgement and consent form attached to a letter dated November 4, 2013, explaining the conflict and potential consequences related to it. The signed document states “...if a dispute should arise between the two of you (GSLB and HHQ) during the course of any of these Transactions; we (the law firm) believe we would have to withdraw from representing the GSPDC with respect to that specific Transaction as we would be effectively disqualified.” On July 9, 2015, we received a letter from the GSLB Counsel stating in part: “At no time has MRT (the law firm) engaged in representation of the Land Bank and HHQ on the same transaction. In addition, MRT ceased acting as general counsel to HHQ in or about February 2015.”
- Based on information we received from GSLB, the following table summarizes the history and transactions involving the five (5) properties the GSLB sold to HHQ in 2014 we tested:

Analysis of Income and Costs for Properties Purchased by HHQ from GSLB

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<u>Purchase and Sales Dates</u>	<u>Bennington</u>	<u>232 Harriette</u>	<u>217 Ferndale</u>	<u>150 Culbert</u>	<u>117 Spring</u>	<u>Total</u>
Purchase by HHQ	4/23/2014	6/7/2014	7/2/2014	6/9/2014	10/24/2014	
Sale Date by HHQ	10/6/2014		1/28/2015	12/5/2014		
<u>Comparison of GSLB Costs, Sale Price and Appraisal and Assessed Value</u>						
GSLB Investment	\$3,001.46	\$7,613.98	\$3,400.29	\$2,010.55	\$11,784.43	\$27,810.71
GSLB Sale Price to HHQ	\$2,633.89	\$1,045.00	\$1,620.00	\$1,998.00	\$2,000.00	\$9,296.89
Sale Price Less GSLB Costs	(\$367.57)	(\$6,568.98)	(\$1,780.29)	(\$12.55)	(\$9,784.43)	(\$18,513.82)
GSLB Appraised Value (as is)	\$12,000.00	\$17,000.00	\$44,000.00	\$10,000.00	\$28,000.00	\$111,000.00
Sale Price Less Appraisal	(\$9,366.11)	(\$15,955.00)	(\$42,380.00)	(\$8,002.00)	(\$26,000.00)	(\$101,703.11)
Assessed Value	\$56,300.00	\$25,000.00	\$60,000.00	\$52,700.00	\$58,000.00	\$252,000.00
Sale Price Less Assessed Value	(\$53,666.11)	(\$23,955.00)	(\$58,380.00)	(\$50,702.00)	(\$56,000.00)	(\$242,703.11)
						Not
Costs	Contractor					Including
(Contractor for Renovation)	1	Contractor 2	Contractor 1	Contractor 3		117 Spring
Renovation of Property (1)	\$83,602.00	\$80,550.00	\$88,544.97	\$163,760.00		\$416,456.97
Purchase Price from Above	\$2,633.89	\$1,045.00	\$1,620.00	\$1,998.00	\$2,000.00	\$7,296.89
<u>Other Costs per HHQ</u>						
Other Construction Costs	\$17,192.97	\$19,026.80	\$13,105.85	\$8,605.00		\$57,930.62
Consultant Fees	\$3,543.70	\$4,158.70	\$4,207.70	\$4,318.70		\$16,228.80
Long Term Carrying Costs	\$4,189.05	\$7,094.76	\$6,055.97	\$6,094.48		\$23,434.26
Property Sale costs	\$6,408.00	\$4,440.00	\$5,813.00	\$5,743.00		\$22,404.00
Developer Fee	\$15,505.74	\$15,164.96	\$15,483.88	\$21,626.50		\$67,781.08
Sale Costs	\$576.50	\$773.50	\$780.50	\$775.50		\$2,906.00
Total Costs	\$133,651.85	\$132,253.72	\$135,611.87	\$212,921.18		\$614,438.62
<u>Subsidies and Sales</u>						
GSLB Renovation Subsidies	\$59,300.00	\$53,000.00	\$51,000.00	\$40,000.00		\$203,300.00
Other Subsidies	\$0.00	\$82,000.00	\$20,000.00	\$105,000.00	\$100,000.00	\$207,000.00
Total Subsidies	\$59,300.00	\$135,000.00	\$71,000.00	\$145,000.00	\$100,000.00	\$410,300.00
Sale Price	\$76,900.00	Not Sold Yet	\$65,900.00	\$70,900.00	Not Sold Yet	\$213,700.00
Total Subsidies and Sales	\$136,200.00	\$135,000.00	\$136,900.00	\$215,900.00		\$624,000.00
Subsidies and Sales Less Costs	\$2,548.15	\$2,746.28	\$1,288.13	\$2,978.82		\$9,561.38
Development fee for HHQ (2)	\$9,303.44	\$9,098.98	\$9,290.33	\$12,975.90		\$40,668.65
Total	\$11,851.59	\$11,845.26	\$10,578.46	\$15,954.72		\$50,230.03

(1) Used actual costs per voucher (2) Assuming the HHQ development fee is 60% across all grants

ALL AMOUNTS ABOVE ARE UNAUDITED AND ARE FROM HHQ DOCUMENTATION SUBMITTED TO GSLB

After we supplied a draft of this section of the report to the GSLB, we were provided additional documentation of some of the costs associated with renovating the properties by HHQ that were not provided to us initially. This additional documentation appeared to be obtained from HHQ after we provided the draft section to GSLB. The additional documentation assisted us in determining that various transactions and activities were conducted as required and/or the financial impact of various transactions was different than we had determined from previous documents provided to us by GSLB.

GSLB did not have all of the actual costs of each of these renovations on file. At this point, we have been provided with most of the actual costs, but not all of them. Some of the costs in the schedule above are budget numbers such as the property sales costs and the long term carrying costs. We were not provided the actuals for these line items.

The Executive Director indicated there should be no net amount for each property renovated. That means the only amount HHQ should receive for each property renovated should be to cover costs and their development fee. While some of the additional documentation we received seemed to bear that out, we were unable to confirm it for all properties. The lack of available documentation and the payments to Opportunity Headquarters, Inc. made any verification difficult.

It became apparent to us as we proceeded through this process the GSLB had not fully accounted for the costs for each of these projects in order to determine that the projects were properly accounted for and netted out. In addition, the concerns we raised with respect to the involvement of Opportunity Headquarters, Inc. had not been fully addressed.

Because of the above mentioned difficulties and inability to reach a definitive conclusion, we did not change our table above based on the additional information supplied.

According to information supplied to us by the GSLB, we have the following additional observations with respect to the above transactions with HHQ:

- It appears that the GSLB did not recoup its costs in the properties being sold to HHQ, as required by the co-development agreement. The sale price for the four properties covered by the co-development agreement (all except for 117 Spring St.) was almost \$9,000 less than the GSLB costs for the properties sold to HHQ.
- The sale of all of these properties from GSLB to HHQ was over \$101,000 less than the appraised value for the properties.
- It appears HHQ netted over \$31,000 in development fees on the three properties sold.
- After subsidies by the GSLB and others, the net to HHQ for one property is currently almost \$12,000 (including just over \$9,000 in development fees) before the property has been sold. The Executive Director informed us that the sale proceeds for the property would reduce the AG grant of \$53,000 for the renovations.

- Contractor 3 was Opportunity Headquarters, Inc., a related entity/subsidiary of HHQ. In addition, the amount paid to the contractor per the project summary for the renovation (\$163,760, including a change order of \$32,000) and other costs appear to be high given the ultimate sale price for the property (\$70,900).
- Some of the later expenses submitted to us (after we developed the above schedule) were proposals from Opportunity Headquarters, Inc., for “finishing contract” on two of the five properties. These finishing contract proposals were not actual invoices but appeared to be paid by HHQ. We were not provided with a detailed description of what the “finishing contract” entailed. For each of the 4 of the 5 properties rehabbed, HHQ had a print screen of all items bid out on the renovations. Finishing Contracts awarded to Opportunity Headquarters were not bid out based upon our review of the HHQ print screens.
- Of the four properties that HHQ renovated, each had significant change orders by the general contractor awarded the renovation. These change orders were an additional expense ranging from 7% to 25% of the original renovation cost awarded to the general contractor.
- 117 Spring St. was not part of the co-development agreement. It was sold to HHQ under the GSLB Affordable Housing Development and Affordable Home Ownership Program on October 24, 2014, for \$2,000, almost \$10,000 less than the GSLB costs and \$26,000 less than the appraised value. It was sold by GSLB to HHQ with the intent to renovate and operate it as a rental under the program. Per a letter from HHQ to GSLB dated August 24, 2014, HHQ intends to use 117 Spring Street as a “lease-purchase” property. HHQ is to renovate the two family home and select appropriate tenants to rent and within three years, work towards selling the property to one of the tenants. HHQ also pledged to utilize CDGB funds for the renovation. Per the sales agreement, #6 Improvement of Property, HHQ agreed to improve, develop and use the property as specified in a certain property purchase application submitted by a buyer to the seller. There was no timeline on when the renovations were to be completed or any detail of the renovations to be completed. In a letter dated September 10, 2014, from HHQ to GSLB, HHQ stated they were requesting \$100,000 (\$50,000) for each unit from NBD (a City of Syracuse Department, Neighborhood and Business Development), a different source of financing, for the renovation of 117 Spring Street. This request also did not have detail of the renovations to be performed or a timeline for completion. The sales agreement and letters do not mention a timeframe for the completion of the renovations or the details of the renovations to be completed.

Recommendations

Everyone involved understands how important it is for a quasi-governmental organization like the GSLB, created by intermunicipal agreement, to operate in a very open and transparent manner. Even a hint of self-dealing or conflict of interest tends to render the organization less effective in carrying out its mission. With the above in mind, we recommend the GSLB Board:

23. In addition to filing the financial disclosure statements with the Onondaga County Ethics Board, these statements should also be kept on file at GSLB offices.
24. Set up a monitoring process for ensuring where there could be a possible conflict of interest, the transactions involved are fully vetted before they are entered into by the GSLB and all transactions are conducted in a fully open environment. Subsequent to our discussions on this topic, the GSLB Executive Director informed us that the GSLB has recently instituted a policy whereby each Board member and all

staff sign a certification at each meeting stating they have no interest in the sale of any property or any contract to be addressed at the meeting and disclosing any conflicts and facts relating to Board Member(s) refraining from voting on any particular item.

25. With large projects, renovations or demolitions, including those contracted to outside agencies like HHQ to manage, a paper or scanned file should be kept for each individual property with development and/or demolition plans, all quotes for contracts on the projects, applications for payment to the contractors or agency managing the project, and other related documentation. These files should contain all necessary evidence the outside agencies have complied with all requirements agreed to and that the GSLB has monitored the progress and documentation of the contractor to ensure compliance. Documentation on file should include, at a minimum:
 - GSLB costs associated with acquisition, stabilization, maintenance, and sale of properties used to determine the sale price per the terms of the co-development or other agreement.
 - Development plans as required by the co-development or other agreement.
 - All required quotes and bidding for each project.
 - All requests for payments, including necessary progress sign-offs by an architect or engineer and documentation required to support the payment.
 - All contractors paid as part of the project.
 - Information on property purchasers to monitor compliance with grant agreements.
26. Where a contractor is a related entity/subsidiary of a co-developer or other partner, provide additional scrutiny and oversight to the situation in order to provide assurances that the work is necessary and properly described and documented. This additional scrutiny should include oversight of the bidding process, adequate documentation of the work contracted for and completed, etc.
27. For all payments made on behalf of and reimbursed by the GSLB, maintain a record of the vendor/service provider/contractor who actually did the work or provided the service and all related paperwork.
28. Maintain a record of all sales information, including the real estate agent fees paid to all brokerage/agencies.

Taking the above steps will help to ensure that all GSLB relationships are above board and arms-length. This will help to assure the intermunicipal partners and the public that all GSLB transactions are conducted in a professional, cost effective manner and are in the their best interests.



Hon. Robert E. Antonacci, CPA, Esq.
Onondaga County Comptroller
14th Fl, John H. Mulroy Civic Center
421 Montgomery Street
Syracuse, NY 13202

Hon. Martin Masterpole
Syracuse City Auditor
433 City Hall
233 E. Washington St.
Syracuse, NY 13202

August 18, 2015

RE: Management Response to Joint Audit of the Greater Syracuse Property Development Corporation

Mr. Antonacci and Mr. Masterpole,

We agree with the overall findings and recommendations of your report, particularly 1) the need to identify long-term predictable and recurring public sources of funding for the Land Bank's operations if we are to proceed at the scale necessary to address the scale of property abandonment in our community and 2) the need to establish consensus regarding the Land Bank's mission and performance measures.

This audit covered our 2014 fiscal year. The Land Bank was able to close out our books and issue our independent financial audit in late-March 2015, at which time we were able to begin working in earnest with your staff with those final 2014 figures available. By that point we'd already begun implementing many policy and procedural improvements recommended in this report. The audit process brought additional opportunities for improvement to light, which we are now addressing as a result of the audit. In the following pages we outline the procedural changes that have already been made and those that are planned.

I must first note that the Land Bank board and staff made a conscious decision as we began operations to outsource most of the Land Bank's day-to-day operations to private contractors in order to minimize overhead costs and keep a lean organization able to expand or contract more quickly than one with a large staff. As our operations have expanded, we have recognized the need for additional staff and in March 2015 hired a Director of Property Management with greater management experience, whose role is to oversee all of our subcontractors in the field and to ensure that we're being billed appropriately and that our property intake and maintenance procedures are being followed. Also in March 2015, we hired a Director of Operations who manages the organization's business administration and collaborates with the ED on financial forecasting and oversight of procurement processes. These two new hires address many of the concerns identified in the audit.

Section 1 – Long-Term Sustainability

Section 1: Recommendation 1

We agree that public funding sources are necessary to sustain the Land Bank's work. For example, the Cuyahoga County Land Bank in Cleveland, Ohio is the most successful in the county (having returned over 900 properties to productive use since 2008) largely because its public funding streams are predictable. The Land Bank's

activity provides an array of public benefits. Many of the financial benefits, however, are experienced by the City, County, and neighboring property owners and do not result in a direct return on investment for the Land Bank. We must reach consensus with the Foreclosing Governmental Units which created the Land Bank regarding how to capture these returns and reinvest them in the Land Bank's work so that we can continue to provide this public service. The Land Bank's work leverages private investment in redeveloping abandoned buildings, immediately increases the City and County's property tax collection rates, allows the City to avoid maintenance costs it previously had to bear, and over time grows the property tax base for both municipalities. These improved property values will also benefit surrounding property owners and the elimination of blighted properties through renovation and demolition improves quality of life for surrounding residents.

The Land Bank's willingness to take title to foreclosed properties has enabled the City to get more aggressive about property tax collection and since their new collection policy was put into place the City and County have experienced an influx of delinquent tax payments. This collection effort and the Land Bank's efforts to leverage private investment in redevelopment have resulted in the following immediate benefits to the community:

- Delinquent tax payments from owners avoiding foreclosure: Influx to Date

County		City	
\$ 1,383,913.00	2013 increase	\$ 2,321,698.00	12/13 increase
\$ 1,366,598.00	2014 increase	\$ 3,002,305.00	13/14 increase
\$ 1,163,330.00	2015 increase (projected)	\$ 1,961,784.66	14/15 increase (projected from end of May)
\$ 260,000.00	Specials Paid to date by LB		
\$ 4,173,841.00		\$ 7,285,787.66	

- Private investment of approximately \$5.2 million leveraged to date in renovations by Land Bank buyers
- The Land Bank has sold over 160 properties and returned them to tax-paying status. Properties sold to date should generate approx. \$250,000 in property taxes annually for the City and County and this annual impact will grow exponentially as we sell more properties
- Sustained increase in the on-time collection rate: Once all the uncollectable properties are removed from the rolls the City and County should experience an increase among properties located within the City from 94% to 99% of payments made on-time.

The Land Bank recoups some of its costs in the form of sales revenue, but due to the nature of our business model – in which we make ‘as is’ properties available to investors – these sales prices are very low. The other benefits are enjoyed by the City and County governments and neighboring property owners. Continued investment in this work will ensure that they’ll continue to enjoy these benefits – with reinvestment the model should function as a positive feedback loop. In addition this work, particularly ‘big ticket’ items such as demolitions, may also require state or federal funding, which this land bank and land banks across New York are actively pursuing.

We are, as the audit suggests, regulating the flow of properties into our inventory based on what funds are available to maintain them. Given the funding pledged by the City and the County to date, there will not be enough available to accept the whole slate of properties the City intends to foreclose upon and to address the scale of abandoned property across our community.

Section 1: Recommendation 2

We periodically conduct a cost-benefit analysis of bringing certain functions in-house versus continuing to obtain them through contractors – including services such as bookkeeping, property brokerage, and property management. The Land Bank initially bid out all property management services as a package, but over the past year has recognized significant savings by bidding out snow removal and lawn mowing as separate contracts and cut the

cost of periodic inspections in half due to the economies of scale experienced by our contractors as our inventory has grown. We will continue to seek similar opportunities for savings and adapt our operations accordingly.

We are seeking assistance from the governmental units that created the Land Bank – the City and the County – and from the state to assist the Land Bank in avoiding certain operational costs. For example, we have asked Onondaga County to exempt the Land Bank’s vacant buildings from sewer unit charges (the Land Bank is tax exempt but not exempt from special charges like these), which will save us over \$300,000 next year if granted. The NY Legislature passed an amendment to the Land Bank Act this year exempting land banks from deed recording charges, which, if signed by the Governor, will save several hundred thousand dollars in operating costs over the next few years.

Section 1: Recommendation 3

The organization is looking for other ways that they can maximize revenue from the sale of real estate, while balancing this with the community benefits that we wish to see generated by our buyers when redeveloping properties and neighborhood revitalization objectives we wish to support. In January the Land Bank’s board amended their disposition policy to state that property must be on the market for at least 60 days before we will accept an offer for less than 90% of asking price in order to ensure that ample time is allowed for competing offers to be made – an example of efforts to increase sales revenue. Significantly discounting properties being sold for affordable housing development is an example of revenue foregone in pursuit of these community benefits.

In addition to the tension between those two priorities, the desire to hold property for a higher bid is tempered by a need to reduce inventory in order to avoid carrying costs and a desire to get properties into the hands of private owners who will begin renovation and return properties to tax-paying status as quickly as possible. We are constantly trying to effectively balance these competing priorities.

Section 1: Recommendations 4-6

While these recommendations are intended for the intermunicipal partners, we agree and in response will seek to bring the City, County, and Land Bank together to discuss appropriate goals and objectives, measures of their achievement, and sources of funding to support these activities.

Section 3 – Property Management Company Oversight

Section 3: Recommendation 11, 12

Land Bank staff are now more fully utilizing property management software, eProperty Plus, for the assignment of non-routine jobs to external service providers. This will include a scope of work and allow for the contractor to reply with a quote, an opportunity for the Land Bank staff to reply with a notice to proceed if the job cost exceeds \$500, and space for the contractor to supply before and after photos and an invoice, all of which will be saved to that property record in the system and reviewed prior to the issuance of payment.

This will address the auditors’ concerns about vaguely defined scopes of work and Land Bank staff review of completed work, and also address a record-keeping issue which was uncovered regarding competing quotes not being kept on file. Those competing quotes and the sequence of events for competitively bid work will now be embedded in our cloud-based property management database.

Section 3: Recommendation 13, 14

Potential savings resulting from bringing these functions in-house is currently being researched and detailed options will be brought to the board for their consideration later in 2015. We agree that there is significant potential for savings and increased control of property management performance and will discuss how this balances against liabilities that we currently avoid by outsourcing.

Section 3: Recommendation 15

We have established a procedure of notifying former owners when personal property of value is left behind and allow them time to remove it, after which point it is considered abandoned. We will conduct further research on the topic and consider adding a section regarding personal property to the existing policy that governs the disposition of real property.

Section 3: Recommendation 16

We rely on applicants to disclose whether they meet certain disqualifying factors (these are questions in the application), but will incorporate a print-out of our search of tax-delinquencies and open code violations into our sales files going forward.

Section 4 – Rental Management Oversight

Section 4: Recommendation 17

Monitoring rental income is one of the responsibilities of the Director of Operations hired in March 2015. Our accountants at Bowers & Company also monitor rental income and overdue receivables, and staff verify that these unpaid rents result in eviction for nonpayment and/or referral to relocation assistance from Catholic Charities when applicable.

Section 4: Recommendation 18

A number of our procedures already serve to verify vacancy at Land Bank properties, such as our communication with the Water Department at the time of intake. Only vacant properties have their water shut off.

Section 4: Recommendation 19

Our property management contract sets forth the managers' responsibilities for reporting rental income to the Land Bank.

Section 4: Recommendation 20, 21

The internal procedures we currently follow should and will be documented in the form of an 'operating manual' so that they are available for review. In addition, the GSLB has relied on property managers to maintain a file of all notices to vacate and correspondence with occupants, not seeing a need to duplicate record keeping. Using eProperty Plus as we have with other types of services performed at properties, we will ensure that electronic copies of this correspondence are maintained in the Land Bank's database.

Section 4: Recommendation 22

At least annually we will review our own compliance with the documented procedures related to rental property management described above.

Section 5 – Interrelationships and Related Issues

Section 5: Recommendation 23

The board and staff's financial disclosure forms have not been maintained by the Land Bank to date since they are available upon request from the County's Board of Ethics. However, we do not object to keeping copies on file here, since they are public documents, and will do so starting with next year's disclosure forms.

Section 5: Recommendation 24

Our board members and staff are now signing a certification of no conflicts of interest at each board meeting where business is conducted, certifying that there is no conflict of interest and, if necessary, disclosing those that may exist as an attachment to the certification. Applicants wishing to purchase property attest on their application form that they have no relationship with Land Bank board members or staff.

Section 5: Recommendation 25

Most of these items are currently maintained on file by the Land Bank. Those that are not maintained by the Land Bank are maintained by our co-developer and per our agreement with them must be produced upon request. During the course of this audit we discovered that the Land Bank had conveyed a number of properties to Home HeadQuarters for less than cost, confusing the Affordable Housing Discount program pricing structure with the pricing structure for homes that the Land Bank is co-developing with Home HeadQuarters. This did result in less income for the Land Bank, but the net result is that more Attorney General funding will be spent on renovation and less on acquisition. Now that this error has been discovered, the basis for these sales prices (at cost) will be documented and kept on file for each sale and they will be priced correctly going forward.

Section 5: Recommendation 26, 27

Much of this is being addressed as we track these jobs in eProperty Plus and the rest is under the purview of the Director of Operations – a new position since the period that was audited. Now with two employees reviewing payment for these jobs, review for grant compliance is given far greater scrutiny and this list will serve as a helpful checklist for each file.


Section 5: Recommendation 28

Payments made to buyer agents are recorded on each statement of sale, but we can ensure that buyer's agents are disclosed at the time the board votes on property sales.

Overall we found this audit to be a helpful exercise and an impetus for review of our record-keeping practices. We wish to state for the record that the Greater Syracuse Land Bank voluntarily submitted to this audit and maintains that as an independent public authority it is not legally subject to audit by your offices. However, we agree that it seemed a prudent time for outside evaluation of our operations and effectiveness, especially given the Land Bank's financial dependence on the City and County. As our inventory has dramatically grown we've grown our staff, capacity for contractor oversight, and frequently reassess and revise our operating procedures. We will continue to do so and look to this audit as one source of guidance in our pursuit of increased efficiency. Undoubtedly, if we are to continue on the path we've started down – to acquire vacant and abandoned properties at a scale commensurate with the rate of property abandonment in our community and to leverage private investment in these properties' redevelopment, to engage in a mix of sales and land banking in an effort to shift private demand – the Land Bank will require increased public funding and clearer consensus regarding its public purpose. We hope to continue this conversation with the City and County, which created the Land Bank.

Despite the challenges of creating a new organization, we have proven that the Land Bank's efforts have a positive impact on local property tax collections, that these properties can be returned to productive use and tax-paying status, and that there is a net benefit to proactively addressing otherwise abandoned properties. This includes the municipalities' fiscal benefits, but also improvements in surrounding property values, neighbors' home equity and quality of life, reduced crime rates, and avoidance of costly demolitions through preventive maintenance. We have been able to return properties to productive use at an unprecedented rate – 165 since January 2014 in addition to more than 40 demolitions – and now need to marshal the resources to continue this effort and ensure that these positive outcomes are sustained.

Sincerely,


Katelyn Wright
Executive Director


Vito Sciscioli
Chairman, Board of Directors

Onondaga County Comptroller's and Syracuse City Auditor's Reply to the GSLB Management Response

In reply to the GSLB management response to our Audit Report we would like to address the following items in their response:

On page 2 of their response there is a chart of data showing delinquent tax payments from owners avoiding foreclosure for the period of 2012 to 2015. These numbers were provided to the GSLB by the City of Syracuse Commissioner of Finance. The County influx number is as of March 2015 and the City influx number is as of May 2015. These numbers are unverified and unaudited by the Onondaga County Comptroller and City Auditor of Syracuse. Our offices reserve the right to audit these numbers at a future date.

On the last page of the management response, the GSLB states that they voluntarily submitted to this audit and maintains that an independent public authority is not legally subject to audit by our offices. We respectfully disagree that the GSLB is not legally subject to an audit by our offices based on the following signed agreements; the Intermunicipal Agreement of March 27, 2012 and the contract between Onondaga County and the Greater Syracuse Property Development Corporation of April 1, 2014. The Intermunicipal Agreement between Onondaga County, City of Syracuse and Greater Syracuse Property Development Corporation states on page 9, "All records of the Land Bank subject to any claimed privileges, shall be made available to either party, including the Onondaga County Comptroller, and the City Auditor of Syracuse." The contract agreement between the County of Onondaga (County) and the Greater Syracuse Property Development Corporation (Contractor) adopted April 1, 2014 pursuant to Resolution No. 64-2014 of the Onondaga County Legislature, states on page 2, "The Contractor shall make available at any time for examination and audit by the County its books, records, papers and other relevant data pertaining to the funds disbursed by the County pursuant to this Agreement and pertaining to any other matters in relation to the organization and management of the Contractor's organization." With these documents, we believe our offices have the right and authority to audit the GSLB.

SECTION V APPENDICIES

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Appendix A

History of Property Tax Collection and Enforcement

With the creation of the GSLB, the City of Syracuse and, to a much lesser extent, Onondaga County, has transferred real property it has acquired title to through the tax enforcement process to the GSLB. A brief history of real property tax enforcement for the City and County includes:

City of Syracuse

The City of Syracuse, located in Onondaga County, collects, enforces, and is the foreclosure entity for all property taxes within its boundaries. This includes: city, county, school district, and special assessments. Historically, the City has a collection rate of approximately 92% during the first 12 months and approximately 94% over time, at least partially because of vacant, underutilized and/or abandoned property. The City has tried various methods for enforcing real property taxes over the years. In the mid-1980s, the City began utilizing the Negotiated Sales Program as the principal property disposition program for delinquent tax properties. This program relied on an individual(s) submitting an unsolicited purchase offer to the Department of Assessment's Real Estate Division, which in turn issued a preliminary seizure notice to the owners of record. Properties were appraised and the valuation established by the appraiser became the mandatory purchase price for the property. The value was conveyed to the prospective purchaser, who had the option to either accept or reject the purchase price. Tax foreclosure actions to seize a subject property were continued when a prospective purchaser responded in the affirmative. Tax foreclosure actions were discontinued when a prospective purchaser elected not to accept the appraised value as the purchase price for the property. Such tax foreclosure initiatives were conducted on buildable and non-buildable vacant parcels, vacant structures and to a lesser degree, investor-owned and commercial property. To promote this activity, lists of such foreclosable properties were generated and distributed to the general public upon request.

Also enacted in the mid-1980s was the Tax Trust Agreement Program, this program enabled a delinquent property owner to enter into an installment agreement to satisfy the tax debt over a period of time (the number of years of delinquency or 5 years, whichever is less). This was calculated at an annual rate of 12%. The Tax Trust Program required the property owner to remit a down payment of 10% of the tax arrears, the first monthly installment and a to-date payment of all current taxes. Owners failing to either make timely Tax Trust payments and /or keep the property taxes current were subject to having their Trust Agreements declared in default.

From the late 1990s through mid-2002s, the City of Syracuse augmented the Negotiated Sales Program by conducting auctions of a limited number of tax delinquent properties. To promote this activity, the City engaged a local auctioneer who was charged with marketing these sales activities and conducting the auctions. As in the case of the Negotiated Sales Program, foreclosures were consummated only after an acceptable bid was received from a qualified purchaser. Letters warning property owners of the pending auction/foreclosure were sent in an attempt to generate tax payments.

In the period of 2003 through 2006, the City of Syracuse transacted four (4) bulk sales of tax liens which generated approximately \$8 million in revenue. All properties encumbered by tax liens, with the exception of vacant land, anticipated/proposed economic development sites and downtown properties, were subject to the lien sales. Prior to each transaction, letters were sent to all property owners in an effort to encourage payment so as to avoid 3rd party collection activity.

Onondaga County Outside of the City of Syracuse

Outside of the City of Syracuse, property taxes are collected by a variety of governmental entities. However, Onondaga County is eventually the enforcement and foreclosure entity for all uncollected property taxes outside of the City. Historically, the County has a collection rate of 96%. Like the City of Syracuse, the County files annual tax liens for the prior year's unpaid tax. For properties reaching the threshold for years of unpaid taxes, the County has traditionally used a tax auction as its principal method for the enforcement of real property tax collections. For a brief period, the County participated in the bulk sale of tax liens with the City of Syracuse (for tax liens on properties located within the City of Syracuse) and also consummated a bulk sale of tax liens on properties located outside of the City limits.

Similar to the City, the County offers an Agreement for an Installment Plan for the payment of delinquent taxes. The property owner is required to deposit 25% of the eligible delinquent taxes and make monthly installment payments for a maximum term of 24 months. Like the City of Syracuse, the annual interest rate is calculated at 12%.

Appendix B

Board Policies

To date, the GSLB Board has established a significant number of policies and procedures, including:

- By-Laws
- Code of Ethics
- Compensation, Reimbursement and Attendance Policy
- Disposition of Real and Personal Property Policy
- Privacy Policy
- Defense and Indemnification Policy
- Acquisition of Real Property Policy
- Investment Policy
- Guidelines for Maintenance and Disposition of Real Property within the City of Syracuse
- Internal Control Policy
- Residential Occupant Relocation Policy
- Non-Discrimination Policy
- Travel and Discretionary Funds Policy
- Personnel Policy
- Whistleblower Policy
- Procurement Policy
- Acceptance of Donated Real Property Policy

Appendix C

Staffing and Support

The GSLB started with one employee, the Executive Director, in 2013 and hired two more employees in 2014. At the time we began our review, GSLB had two employees. The Executive Director reports to the Board. She has general supervision and management of the Corporation and all Corporation staff and employees report directly to her. Except as may otherwise be authorized by a resolution adopted by the Board, the Executive Director's duties include:

- Leading the Corporation in carrying out its Mission Statement and fulfilling its public purposes.
- Cosign all purchase orders and instruments and checks over certain dollar thresholds as may be established from time to time by the Board (said instruments may be countersigned by the Chief Financial Officer, or other officer or Member as shall be designated by the Board).
- Prepare the annual budget of the Corporation with the consultation and cooperation of the Audit Committee, the Chief Financial Officer and Deputy Financial Officer for submission to the Board for approval.
- Sign all purchase orders under the direction of the board by resolution. The Executive Director shall assist the Chair with such matters as the Chair of the Board may request in furtherance of the Corporation's public purposes.
- Perform all other duties customarily incident to the office of Executive Director of a land bank corporation and local public authority of the State of New York and such other duties as from time to time may be assigned by the Board.

The GSLB also contracts for property management, legal, audit, and accounting services.

Appendix D

Methodology

We employed the following methodology in developing the sections of this report. Each of these methodology steps is included in one of the five sections of the report (Sections IV A, B, C, D, and E). In order to reach our findings, conclusions, and recommendations, we:

- Analyzed income and cost information taken from the GSLB records and report and the independent audit report of the GSLB for 2014. The GSLB conducted their own long-term sustainability analysis, updated in April 2015; we reviewed a number of charts/graphs depicting those efforts. We also asked for and received additional supporting information, assumptions, calculations, etc. in order to make determinations regarding the long term sustainability of the GSLB.
- Reviewed the GSLB annual performance objectives and their annual reports to the intermunicipal partners. We were looking for outcome based performance measures and accuracy and completeness of certain information in those reports.
- Reviewed the GSLB's controls over monitoring and evaluating the performance of the PMCs. This was done by reviewing the payment histories of properties to verify the payments to PMCs and others and documentation to vouchers, initial inspection reports, pictures, and other records. We also obtained 2014 expenditure account detail data and reviewed and sorted the data looking for various common potential problems.
- Selected payments in 2014 in excess of \$500 to or managed by the PMCs for board-ups, debris removal, renovation, stabilization, demolition/deconstruction, and environmental services. We asked for supporting plans, quotes/bids, evidence of proper plan approval, and evidence of follow-up inspection and documentation of work to show it was completed according to the quote/contract.
- Reviewed fifteen property sales transactions to independent buyers and to the Home Headquarters (HHQ).
- Selected ten properties for site visits and were able to visit eight of them.
- Established a list of potential rental properties for conducting tests of rental income.
- Reviewed property intake records (including pictures); payment histories for rental management, occupied property inspections, and utilities; eviction and property sales records; property visits; etc. to determine whether a property was occupied and should have been paying rent.
- Developed a spreadsheet from all of the above information and the property rent payment information from the general ledger.

- Reviewed the rental property master spreadsheet we developed above to determine potential gaps in rental income.
- Requested budgets, leases, rent rolls, eviction notices, GSLB notes, documentation of GSLB oversight, etc. on 18 of the properties with gaps in rent payments from the GSLB.
- Followed up on gaps in rental income and other information received from the GSLB.
- Obtained GSLB Board Member's disclosure filing with redactions.
- Reviewed selected GSLB board meeting minutes.
- Attempted to determine the outside interests of the Board Members and other related parties using disclosure statements, Board minutes, resolutions, and other research.
- Attempted to follow through on costs passed through to the GSLB, on a sample basis, to determine if the ultimate supplier of the goods or services was independent from the decision making process.
- Attempted to follow through on property sales, on a sample basis, where the sales price was substantially below the appraised value to determine subsequent sales and any potential interrelationship, conflict of interest, ethical issues, or other interests.
- Reviewed five (5) properties sold by the GSLB to HHQ. Four (4) of these properties were renovated pursuant to a NYS Attorney General Renovation Subsidy grant. One of the properties was purchased by HHQ under the GSLB Affordable Housing Discount Program. All of the five (5) properties were purchased below appraised value and GSLB supplied HHQ with grant monies for renovation of four (4) of the properties.

Appendix E

Recommendations

We took the detailed recommendations from each of the sections of this report. Each of these recommendations is included in one of the five sections of the report (Sections IV A, B, C, D, and D):

Long-term sustainability recommendations for the GSLB (see Section IVA):

1. **Develop permanent funding sources** – Given the GSLB mission is to acquire abandoned properties in order to return them to productive use and taxpaying status and the nature of the land inventory they are acquiring, public funding sources appear necessary to sustain their work. Currently, in addition to internal income sources, the GSLB has only year-to-year external funding sources available. Therefore, the GSLB needs to seek out permanent sources of external financing for operations in order to assure the acquired inventory of properties are maintained until ultimate sale or conversion to public use. Effectively, these additional funding sources appear limited to the intermunicipal partners and/or changes to New York State law or appropriations for supporting these efforts.
2. **Look for ways to reduce costs** – The GSLB current model of operations is primarily relying on the property managers to fully manage the properties it acquires. While the GSLB has attempted to provide oversight to the property managers, the efforts have fallen short of what would be necessary to control the costs of managing properties (see our findings and recommendations included in the Section IVC of this report). The GSLB will need to either substantially change its model for managing their properties or substantially increase their efforts to oversee the property managers, or a combination of both. The GSLB has already started to change its current model by contracting out specific functions rather than having those functions provided by the property managers (e.g., snow removal). In addition, the GSLB should continue to seek out ways to reduce the cost of acquisitions, either through negotiations with the City or State legislation, and reduce carrying costs by reducing the cost of City and County special assessments and other charges.
3. **Look for ways to increase internal income sources** – Since the GSLB only has two significant internal income sources, rental income and property sales, they should focus on those. First, for property sales income, while the GSLB had a good year with respect to land sales, many of the properties were sold below their appraised values. This may be valid in many cases and necessary in order to quickly sell properties to get them back on the tax rolls, but it represents a continuing loss of operating income for the GSLB. The Board should carefully consider each property sale in light of balancing the need to quickly and effectively get properties back on the tax rolls and the need for GSLB operating income. The Board has recognized this as a tradeoff issue and has, in January 2015, adopted a policy limiting the offers they will consider in the first 60 days a property is listed. Their goal is to allow sufficient time to receive reasonable offers. Second, the GSLB will need to better control and manage rental income (see our finding and recommendations included in the Section IVD of this report).

Long-term sustainability recommendations for intermunicipal partners (see Section IVA):

4. **Develop permanent funding sources** – If the City and the County want the GSLB to be successful and accomplish the mission they have laid out for it, they will need to provide recurring and predicable sources of funding and encourage the GSLB to be as efficient as possible while also promoting internal sources of

financing for the GSLB (see the above and following recommendations). If the intermunicipal partners want the GSLB to continue rehabilitation and demolition projects after the NYS Attorney General grant funding runs out, they will need to provide for or assist in acquiring additional funds for those purposes.

5. **Support reducing costs where they have the power to do so** – For example, while the GSLB is exempt from City and County property taxes, it is not exempt from certain City and County special assessments. In 2014, the GSLB paid in excess of \$95,000 in special assessments to the City and County. The intermunicipal partners may be able to address these fees in a way that would reduce the annual operating costs for the GSLB. In addition, the City may be able to reduce or assist the GSLB in reducing other costs (e.g., acquisition costs, demolition costs, etc.).
6. **Outcome based performance measures** – Establish and require measureable and useful performance measures for the GSLB to actually measure the outcomes they want to achieve (see Section IVB). This will help keep the GSLB focused on results (outcomes) and better keep the intermunicipal partners informed of progress towards their goals and/or focused on necessary adjustments. The intermunicipal partners can accomplish this by working closely with the GSLB Board and Executive Director and including the necessary performance measures in the intermunicipal agreement and/or the funding agreements.

Recommendations for enhancing the GSLB measuring and reporting (see Section IVB):

7. Ensure all reporting to the intermunicipal partners is supported by accurate data and calculations.
8. Provide detailed analysis behind reported figures and conclusions and take the analysis to its logical conclusion.
9. Begin providing outcome based performance measures to measure performance and achievement of objectives. Performance measures agreed to should be incorporated into the intermunicipal agreement and City and County funding agreements, as appropriate.

Recommendations related to property management company (PMC) oversight (see Section IVC):

10. Authorize hiring additional staff to effectively perform review, approval and oversight functions related to the PMCs. As a follow-up, we were informed by the Executive Director the GSLB hired two (2) additional staff members to perform these functions in April 2015.
11. Establish clear assignment of the duties related to PMC oversight and clear expectations for GSLB oversight of the PMCs. These expectations should include, at a minimum:
 - a. Require detailed written quotes for all work planned in order to effectively oversee the work and inspect the completed projects. The need for this up-front documentation was evident both in documentation submitted to us and based on our property visits.
 - b. Effective review and approval of written plans, quotes/bids, and subcontractors prior to granting approval for projects falling within the dollar amounts requiring these activities.
 - c. Complete, written approval, review, and follow-up documentation of PMC work, where appropriate, including pictures before and after completion of work. Again, the need for GSLB inspections was evident both in documentation submitted to us and based on our property visits.

- d. Effective field visits when appropriate to review and inspect the work of the PMCs or their sub-contractors.
 - e. Effective review of vouchers submitted by PMCs for payment of work performed. Among other things, this review should specifically look for duplicate and questionable items billed to the GSLB. It should also include verification of pre-approval and compliance with purchasing requirements for larger items, and verification the items purchased or services were actually received or work completed, all with appropriate documentation.
12. Ensure all projects requiring quotes/estimates have sufficient numbers of quotes/estimates or an explanation as to why the required quotes/estimates were not obtained. In addition, each bid/quote/estimate should be in writing where required and provide sufficient detail of the work to be completed and the materials to be used to be able to evaluate and compare bids, monitor work in progress and evaluate work and quality once it is completed.
13. Consider bringing the property inspection function in house to separate the duties of property management and inspection and create an independent oversight inspection processes over the PMCs. According to the GSLB annual report, they paid the PMCs over \$90,000 for the initial inspections and over \$135,000 for periodic inspections in 2014.
14. Continue to look for ways to reduce costs by contracting services independent of the PMCs or bringing them in-house. Some examples of this included:
- a. When snow removal services were included in Property Management contracts; the snow removal rate per time, per property was \$25 for vacant properties and \$35 for occupied properties or more. GSLB paid over \$44,000 for snow removal services in 2014. The Executive Director was able to bid out snow removal services on their properties at \$8 per property. This leads to a significant savings overall in just this category. In January 2014, one PMC charged \$2,980 for snow removal for the various properties they were contracted to manage. This was at the \$25 and \$35 rate per property. If the rate had been \$8 per property during January 2014, the cost would have been \$944 or an overall savings for one month, for just one PMC of \$2,036.
 - b. Lawn mowing service provided by the PMCs similarly was charged at \$25 per time, per property or more and was conducted two to three times per month on each property in 2013 and 2014. GSLB paid over \$115,000 for lawn maintenance, including mowing and tree removal, services in 2014. The Executive Director rebid this service in 2015 to be supplied by a single vendor, but still supervised by the PMCs. The 2015 cost for lawn mowing will now be just over \$14 per mow, per property.
 - c. We encourage the GSLB to look for similar savings in other areas of services provided by the PMCs and other contractors. Other possible areas (and their 2014 reported costs to the GSLB) include: board-ups (over \$45,000), debris removal (over \$110,000), rekeys (over \$23,000), property appraisal (over \$39,000), accounting services (approximately \$80,000), etc. The Executive Director has stated she intends to pursue other similar cost saving opportunities in 2015.

15. The Board has established written policy for controlling and disposal of real and personal property the GSLB owns. The Board should also establish written policy for abandoned personal property left in properties acquired by the GSLB. The GSLB staff should implement procedures for inventorying, selling or otherwise properly disposing of usable personal property it has acquired with real property in accordance with the Board policy.
16. Broaden and document searches of disqualifying factors for property purchase applicants.

Recommendations related to rental management oversight (see Section IVD):

17. Assign rental income control and oversight to one GSLB employee.
18. Establish a control process that independently identifies occupied properties during the intake process and sets up the GSLB monitoring and oversight process going forward.
19. Establish written procedures for PMCs reporting to the GSLB the status of occupancy and rental income on a regular basis.
20. Establish a written policy and process for GSLB monitoring the occupancy and rental income including documentation of review and follow-up on the monthly bills by the PMCs, periodic visits to the occupied properties to independently verify status, and follow through with non-payment of rent and other issues leading to eviction.
21. Proper documentation should be required and provided at appropriate points in time.
22. The GSLB Executive Director should periodically assess the performance of the employee overseeing the rental management area to ensure the proper control and oversight activities are taking place, proper documentation is being accomplished, and to provide feedback and changes to procedures, where appropriate.

The lack of significant oversight and control over occupied properties and rental income leaves the GSLB vulnerable to risk of additional liability and potential loss of revenue. Establishing effective controls will help assure the GSLB Board, Executive Director, and the intermunicipal partners the GSLB is doing everything it can to manage properties entrusted to it and make the most of its limited income sources. The GSLB hired two additional staff members in April 2015. In addition to other duties, the Executive Director indicates the new staff members will be conducting monitoring activities for properties under GSLB ownership.

At the time we discussed this Section with the Executive Director, she indicated, with the new staff at the GSLB, they were in the process of implementing the above recommendations.

Recommendations for interrelationships and related Issues (see Section IVE):

Everyone involved understands how important it is for a quasi-governmental organization like the GSLB, created by intermunicipal agreement, to operate in a very open and transparent manner. Even a hint of self-dealing or conflict of interest tends to render the organization less effective in carrying out its mission. With the above in mind, we recommend the GSLB Board:

23. In addition to filing the financial disclosure statements with the Onondaga County Ethics Board, these statements should also be on file at GSLB offices.
24. Set up a monitoring process for ensuring where there could be a possible conflict of interest, the transactions involved are fully vetted before they are entered into by the GSLB and all transactions are conducted in a fully open environment. Subsequent to our discussions on this topic, the GSLB Executive Director informed us that the GSLB has recently instituted a policy whereby each Board member and all staff sign a certification at each meeting stating they have no interest in the sale of any property or any contract that will be addressed at the meeting and disclosing any conflicts and facts relating to Board Member(s) refraining from voting on any particular item.
25. With large projects, renovations or demolitions, including those contracted to outside agencies like HHQ, maintain a paper or scanned file for each individual property. These files should contain all necessary evidence the outside agencies have complied with all requirements agreed to and that the GSLB has monitored the progress and documentation of the contractor to ensure compliance. Documentation on file should include, at a minimum:
 - GSLB costs associated with acquisition, stabilization, maintenance, and sale of properties used to determine the sale price per the terms of the co-development or other agreement.
 - Development plans as required by the co-development or other agreement.
 - All required quotes and bidding for each project.
 - All requests for payments, including necessary progress sign-offs by an architect or engineer and documentation required to support the payment.
 - All contractors paid as part of the project.
 - Information on property sales to monitor compliance with grant agreements.
26. Where a contractor is a related entity/subsidiary of a co-developer or other partner, provide additional scrutiny and oversight to the situation in order to provide assurances that the work is necessary and properly described and documented. This additional scrutiny should include oversight of the bidding process, adequate documentation of the work contracted for and completed, etc.
27. For all payments made on behalf of and reimbursed by the GSLB, maintain a record of the vendor/service provider/contractor who actually did the work or provided the service and all related paperwork.

28. Maintain a record of all sales information, including the real estate agent fees paid to all brokerage/agencies.

Taking the above steps will help to ensure that all GSLB relationships are above board and arms-length. This will help to assure the intermunicipal partners and the public that all GSLB transactions are conducted in a professional, cost effective manner and are in the their best interests.