

# Effective Land Banking Strategies for Different Housing Markets

August 1, 2012

*Organized by the Federal Reserve Bank of Minnesota*

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# Welcome

Thank you to everyone for joining this session.

For today:

- This call is being recorded.
- An archived recording of this session will be available on the **Connecting Communities**<sup>®</sup> web site shortly after the session has taken place:  
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- We will be taking questions via email during this session. Please direct your questions to [communities@stls.frb.org](mailto:communities@stls.frb.org). These questions may be part of the recorded archive for this session.
- In connection with this session, several of our Reserve Bank offices have posted links to a variety of additional resources on this topic. We encourage you to browse through this list and to contact your regional office if you would like additional information on any of these items.

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# Today's Presenters

- **Frank Alexander**, *Sam Nunn Professor of Law*  
Emory University School of Law and co-founder of the *Center for Community Progress*
- **Thomas J. Fitzpatrick IV, Esq.**, *Economist*  
Community Development Department at the Federal Reserve Bank of Cleveland
- **Christopher Norman**, *Executive Director*  
Fulton County/City of Atlanta Land Bank Authority, Inc.

*Land Banks and Land Banking:  
A National Overview*

**Frank S. Alexander**

**Sam Nunn Professor of Law**

**Emory Law School**

**Co-founder, *Center for Community Progress***



# Land Banks and Land Banking

- What, when, why and where
- Core land bank powers
- Property acquisition
- Property disposition
- Goals and strategies

# The Costs of Vacancy, Delinquency and Foreclosure

- Vacancy or delinquent lowers values within 500 feet by up to 2.1 percent
- Vacancy and delinquent lowers values by up to 2.7 percent
- Foreclosed, but not delinquent or vacant, lowers values by up to 3.9 percent
- Foreclosed and vacant or delinquent lowers values by up to 6.1 percent
- Foreclosed, vacant, and delinquent lowers values by up to 9.4 percent

**Source:** Stephen Whitaker and Thomas J. Fitzpatrick IV, *The Impact of Vacant, Tax-Delinquent and Foreclosed Property on Sales Prices of Neighboring Homes*, Federal Reserve Bank of Cleveland (Oct. 2011).

# Definition

- A land bank is a governmental entity that focuses on the conversion of vacant, abandoned, tax-delinquent, and foreclosed properties into productive use.



# Properties of Primary Focus

- Surplus public property
- “Below water” properties
- Abandoned properties
- Tax delinquent properties

# The Evolution of Land Banks

St. Louis (1971)

→ Cleveland (1976)

→ Louisville (1989)

→ Atlanta (1991)

*First Generation*

→ Genesee and Michigan (2002)

*Second Generation*

→ Cuyahoga and Ohio (2008)

→ New York (2011)

*Third Generation*

→ Georgia (2012)

→ Kansas City (2012)

# Triggers for Creating a Land Bank

- Fragmented inventories
- Large inventories of abandoned/vacant property with little market value
- Ineffective tax foreclosure procedures
- Code violations
- Title problems
- Property disposition requirements

# Core Land Bank Powers

- Reliance upon key leverage points of tax delinquency and code liens
- Intergovernmental and regional collaboration
- Internal financing mechanisms
- Extinguish delinquent taxes
- Insurable and marketable title
- Disposition of property in accordance with local priorities

# Property Acquisition

- Tax delinquency is an early sign of possible abandonment.
- Sale of tax liens transfers revenue and control to third-party speculators.
- Properly conducted tax foreclosures are the best assurance of insurable and marketable title.

## Property Acquisition (continued)

- Tax sale bidding advantages for land banks
- Aggregation of tax liens and code enforcement liens in single proceeding
- Possibility of “credit bids” and “trump bids”

# A Note on Foreclosures and Real Estate Owned (REO)

- Neighborhood Stabilization Program (NSP) funding provided a key link to REO acquisition.
- Lenders and servicers are increasingly sensitive to holding costs: code enforcement and vacant property registration.
- Lenders and servicers are increasingly exploring donative transfers to land banks.

# Property Disposition

- Disposition in accordance with local needs and priorities
- Affordable housing, market rate housing, mixed use, retail and commercial
- Green spaces, parks, urban gardens
- Long term banking of inventory



# Goals and Strategies

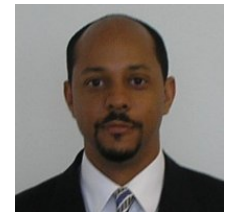


*Land Banks and Land Banking:  
Programmatic Initiatives of the Fulton  
County/City of Atlanta Land Bank*

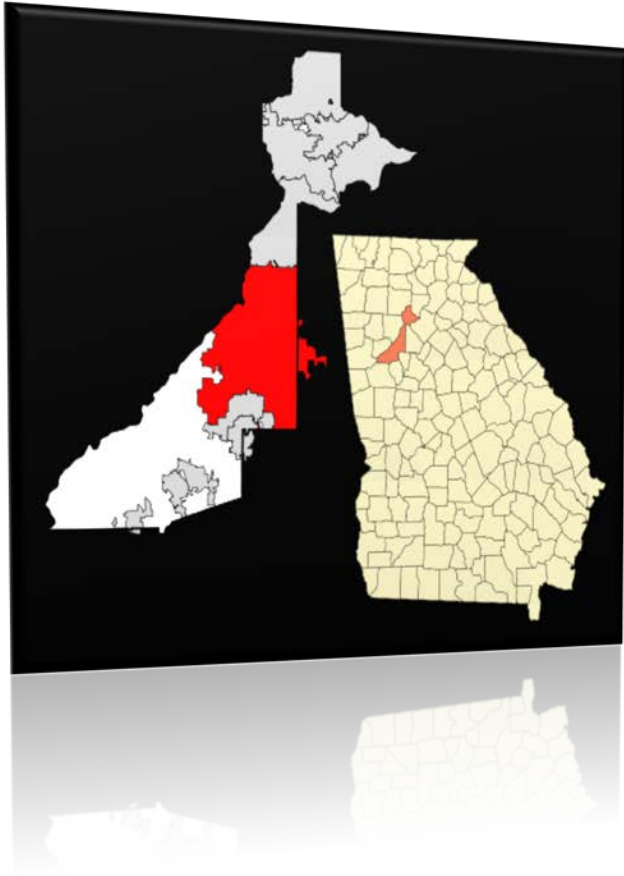
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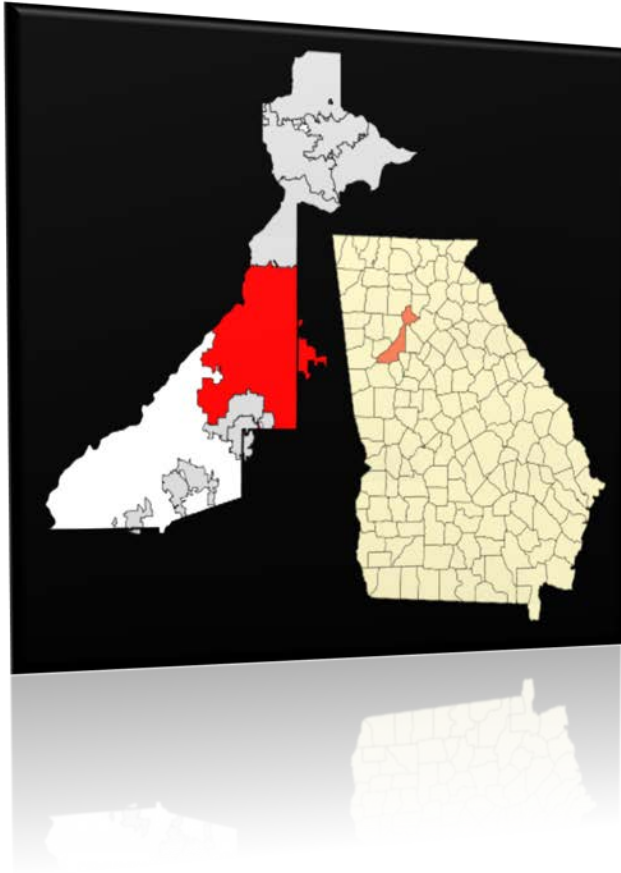


# Context of Challenge



- Georgia ranks fourth in the nation in foreclosures.
- Fulton County is the largest county in Georgia.
- Fulton County leads the state in foreclosure activity:
  - Approximately 1 of every 320 homes are in foreclosure.
  - There is an average of 1350 foreclosure filings per month.

# Context of Challenge (continued)



- Atlanta is the largest city in Fulton with 450,000 residents.
- Atlanta has one of the highest concentrations of REO held by government-sponsored enterprises in the country.

# Programmatic Initiatives

- Property acquisition and disposition
  - NSP
  - Land banking depository program
  - Community land trust
- Development
  - Tax abatement
  - Public/private development partnerships
- Alternative property usage
  - Greenspace assemblage
  - Community gardening (tentative)

- With the launch of NSP, the city of Atlanta and Fulton County/City of Atlanta Land Bank Authority (LBA) determined a need for a community coordinator function at LBA. This represented the first time that LBA moved to actively purchase property in market transactions.
- In October 2009, the city of Atlanta and LBA hired a community coordinator/ program manager to coordinate the launch of NSP program.

## NSP (continued)

- Property sources include National Community Stabilization Trust, REO lenders, servicers, and investors.
- Completed 100 percent obligation of \$3.192 million (25 percent of city allocation) in NSP funding for targeted acquisitions and land banking of single family and multi-family properties.

## NSP (continued)

- Purchased
  - 9 multi-family properties
  - 25 single-family properties
- Currently banking/holding
  - 42 single-family properties
  - 7 multi-family properties



## NSP (continued)

- Completed request for proposal process and awarded properties to developers to complete rehab and disposition of banked properties.
- NSP 3
  - \$4.4 million from the city of Atlanta allocation of \$4.9 million to be used primarily for rehabilitation and property acquisition with a minor portion for land banking holding costs.

# Land Banking Depository Program

- The LBA Board approved the Land Banking Program Policy in December 2007 in response to needs expressed by non-profit and governmental stakeholders.
- The Land Banking Program launched in July 2009.
- The program provides “banking” of eligible residential and commercial properties for three to five years for non-profit entities and governmental entities.
- This is the only known program of this kind in the country.

# Land Banking Depository Program (continued)

- What constitutes banking?
  - Master Land Banking Agreement executed details the responsibilities and mechanics of arrangement.
  - Title transferred to LBA.
  - Insurance provided by LBA.
  - Property maintenance provided by LBA.
  - Holding costs for insurance, property maintenance, and solid waste fees absorbed by granting entity; payment is made to LBA on real-time basis and not accrued to end of banking period.
  - Property is tax exempt during banking period.

# Community Land Trusts (CLTs)

- LBA maintains standing board seat on Atlanta Land Trust Collaborative.
- LBA serves as property sourcing entity.
  - Discounted property purchases
  - Donations

## CLTs (continued)

- LBA serves as acquisition agent on behalf of CLT.
  - Allows for aggregation of property prior to launch of neighborhood based CLT via Land Banking Depository Program
    - Currently holds over 30 properties targeted for new CLT
  - Utilizes tax abatement for clearing title

# Tax Abatement

- Targeted tax abatement is to assist development of affordable and mixed income housing projects.
  - Abatement includes Fulton County, City of Atlanta, Atlanta Public Schools, and Fulton County Schools taxes
- Tax abatement removed delinquent tax “overhang” that limits incentive of developers to focus on certain properties and areas.
- Distressed areas can yield properties where tax delinquency exceeds market value of property.
- Tax abatement considered soft equity investment in projects.

# Tax Abatement



Source: Invest Atlanta

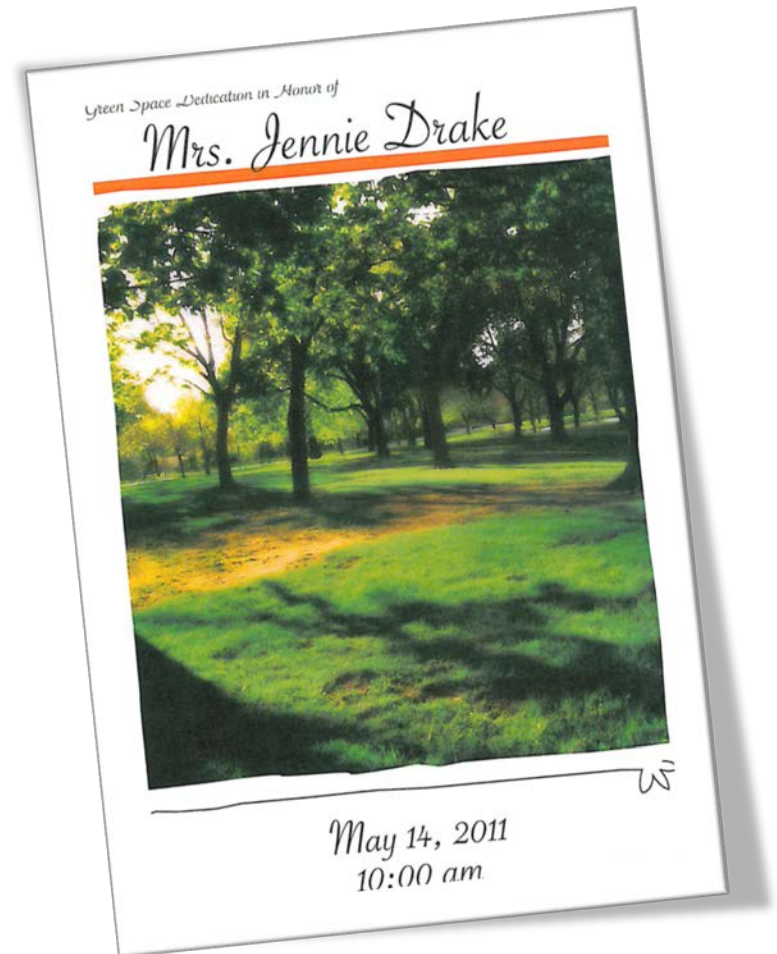
# Public/Private Development Partnerships

- Purchased foreclosed 28-unit apartment building with ACoRA (Atlanta Renewal Community Coordinating Responsible Authority) funds in December 2010:
  - Partnering with National Church Residences (NCR) to produce 48 affordable senior and lower income apartments.
  - Property has been demolished and currently transferring property to NCR.
- Formulating plan to negotiate partnership agreements with private entities to provide:
  - Acquisition capital
  - Capacity to rehab properties on a scaled basis
  - Position for resale or rental
  - Focus on single family with some multi-family
- Intend to seek these additional partners via Request for Qualifications (RFQ)



# Other Programmatic Initiatives

- Greenspace assemblage
  - Creation of temporary and permanent greenspace.
  - Assisting city of Atlanta with initiative to expand greenspace in city.
    - Current acquisition projects underway for two new parks.



Source: City of Atlanta

# Other Programmatic Initiatives (continued)

- Community gardening (tentative)
  - Potential temporary repurposing of property
    - Alternative means of property management
    - Community building
    - Improve accessibility of fresh produce for local neighborhoods
  - May 4, 2012: Team from Urban Land Institute completed mini-Technical Assistance Project that explored the role for LBA with urban farming/community gardening
  - Reviewing and determining potential role of LBA in this space

# Georgia Association of Land Bank Authorities, Inc. (GALBA)

Twelve land banks throughout state created GALBA in August 2011

## President:

- Christopher Norman

## Purpose:

- To promote and market the concept and utility of land bank authorities to local governments, citizens and other stakeholders in the State of Georgia
- To educate interested local governments, citizens and other stakeholders in Georgia regarding the establishment and operation of land bank authorities in their respective communities
- To foster and promote the sharing of information amongst land bank authorities in Georgia and throughout the nation
- To provide technical assistance to land bank authorities in Georgia
- To provide and support governmental relations to benefit and foster the mission of land bank authorities in Georgia

# Georgia Land Bank Act: Senate Bill 284 (SB 284)

Introduced SB 284 for reform of existing Georgia land bank statute

Some key proposed changes:

- Multi-jurisdictional land banks
- Allowance for intergovernmental contracts
- Self financing mechanism: 5-year/75 percent tax recapture
- Ability to take on debt

GALBA engaged Massey, Bowers & Hembree LLC to advocate for passage

Law became effective on July 1, 2012

*Land Banks and Land Banking:  
REO Issues*

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**The views expressed are the author's alone**

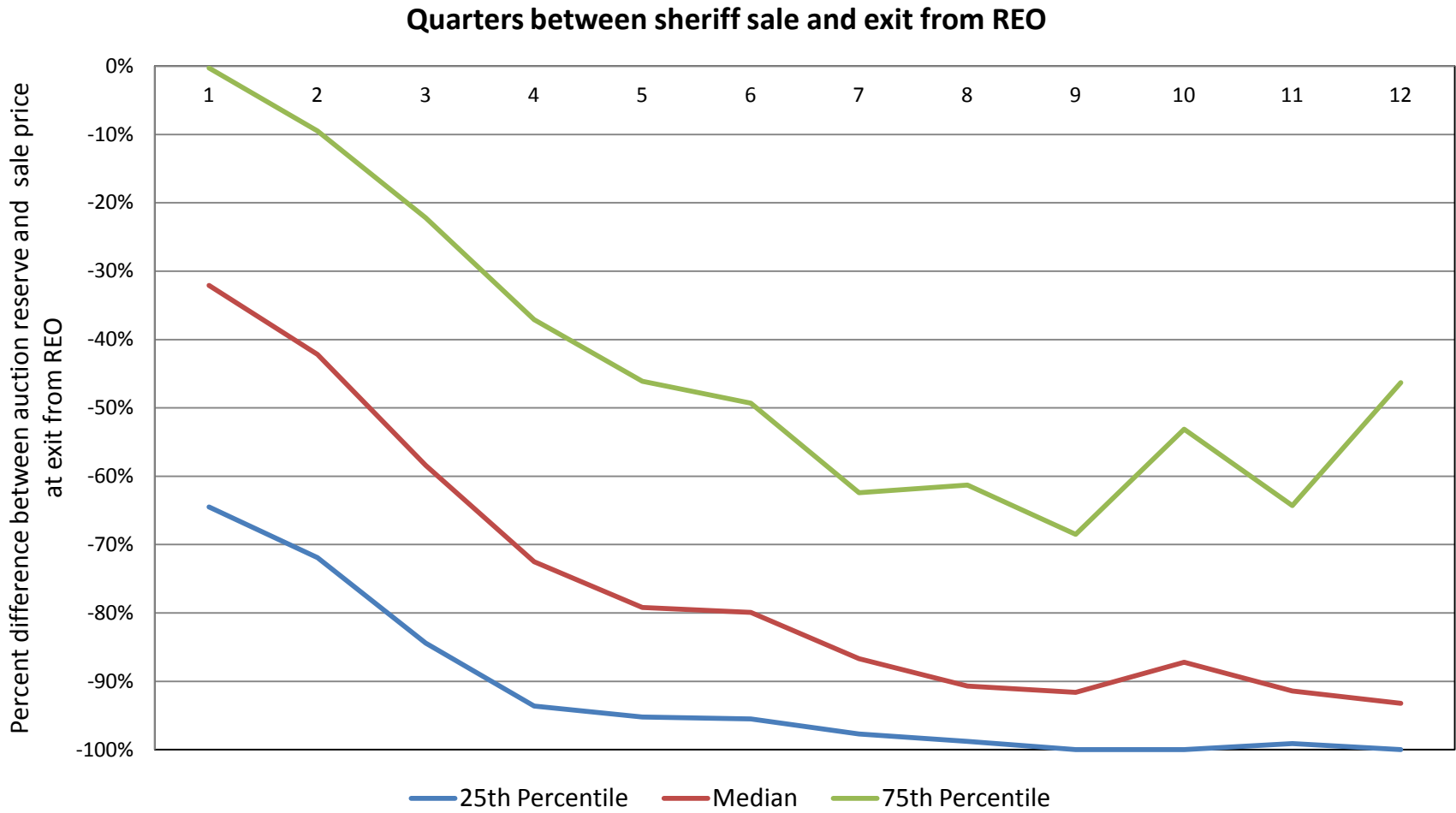


# Cuyahoga County REO Stock

- Long-term supply/demand imbalance
  - Cleveland has lost over 50 percent of its population since 1950.
  - New construction outpaces new household formation.
- Beyond REO
  - Over 40 percent of properties exiting REO sold for \$10,000 or less.
  - Over 80 percent of properties exiting REO sold for \$10,000 or less in some neighborhoods.

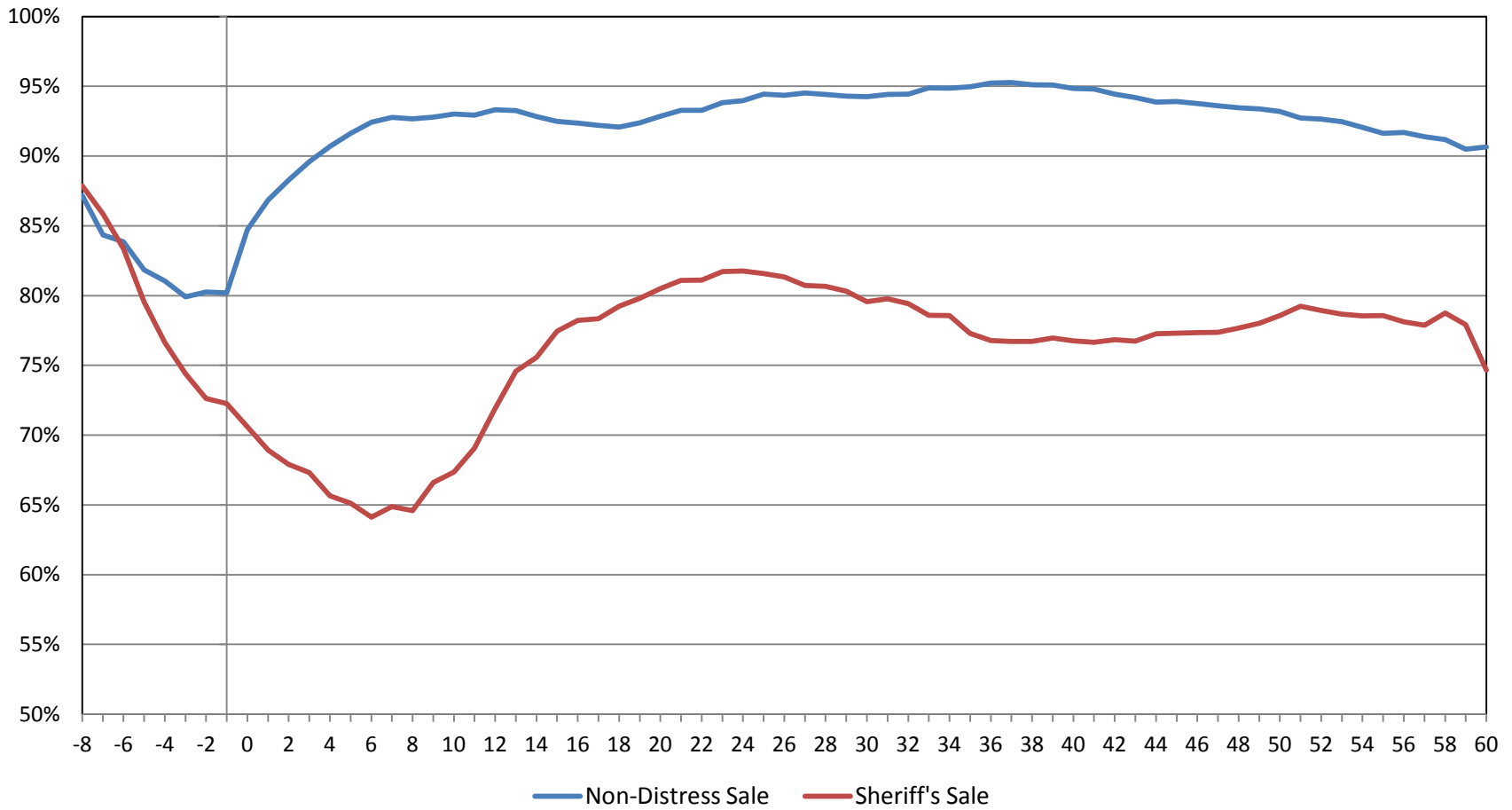
Source: Coulton, Schramm, Hirsh, 2008

# REO and Land Banking



Source: Authors' calculations using data from the Cuyahoga County Auditor

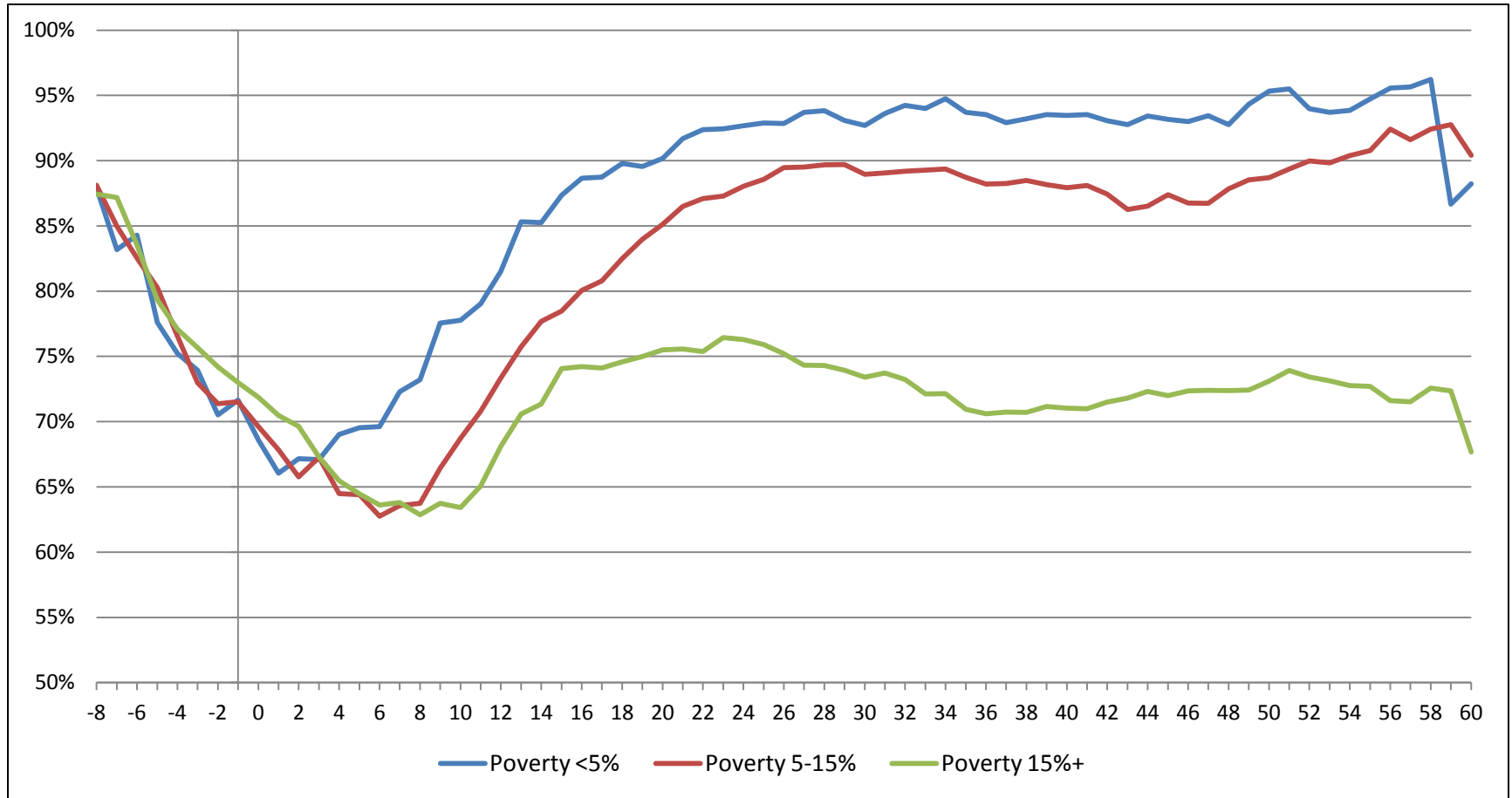
# Foreclosure-Related Vacancy



Source: Authors' calculations using Cuyahoga County Auditor data and USPS vacancy data



# Foreclosure-Related Vacancy (continued)



Source: Authors' calculations using Cuyahoga County Auditor data and USPS vacancy data

# REO and Land Banking

- REO disposition pipelines
  - Lenders/servicers avoid carrying costs.
  - Lenders/servicers gain reputational capital.
  - Neighborhoods are able to get a handle on blight.
  - Department of Housing and Urban Development, Fannie Mae, and private lenders are participating.

# REO and Land Banking (continued)

- Disposition details
  - “Low value” properties are offered to the land bank for a nominal fee (usually \$1).
  - About 100 properties are offered a month.
  - The land bank inspects and decides whether or not to acquire properties.
  - Different amounts are contributed towards demolition, which occurs about 80 percent of the time.

# REO and Land Banking (continued)

- REO disposition complications
  - Demo costs and Asbestos National Emission Standards for Hazardous Air Pollutants
  - Acquisitions are non-strategic
- Common dispositions
  - Qualified rehabbers
  - Community development nonprofits
  - Side lots
  - Municipal land banks (held long term)

Do you have questions?  
E-mail us at:  
[communities@stls.frb.org](mailto:communities@stls.frb.org)

# Wrap-up/Closing

Thank you to today's presenters and to all participants for joining this session.

## Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session
- Additional Federal Reserve System resources related to this topic can be found on our web site along with links to your local Federal Reserve Community Development office
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at [communities@stls.frb.org](mailto:communities@stls.frb.org)
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