



Establishing A Land Bank to Manage Vacant, Abandoned and Foreclosed Properties

A Municipal Action Guide

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CHALLENGE

Vacant, abandoned, and foreclosed properties, whether commercial or residential, can present challenges for local governments. As the current foreclosure crisis spreads and deepens in hundreds of cities and towns across the country, these deteriorating properties can have serious negative impacts on local economies. With the potential of unprecedented lost tax revenues, destabilization is taking place in far too many neighborhoods and, most importantly, families are unable to find or maintain decent, safe, affordable housing.

These properties are often a source of blight and criminal activities especially in low to moderate-income neigh-

borhoods. Unoccupied houses can drive down surrounding property values and may cause out-migration in some areas.

Local governments need to employ a range of practices and tools to manage the challenges of vacant, abandoned, or foreclosed properties. Policies need to be enacted and procedures established to maintain, demolish, revitalize, sell or donate these properties to individuals, community development organizations, developers, or commercial concerns. One of the most practical and successful tools to manage the array of issues encountered with these properties is a land bank.

STRATEGIES

A land bank is a public authority created to efficiently hold, manage, and develop vacant and/or foreclosed property. The land bank can be set up to carry out the following functions:

- Oversee and maintain abandoned and foreclosed properties.
- Eliminate barriers to returning the properties to productive uses.
- Convey properties to new owners.
- Hold inventory of property for future public needs.
- Assemble small properties to create marketable parcels for development.

- Demolish or rehab abandoned properties in disrepair.

Land banks can be structured to address any or all of the above issues through the enabling authorization and policies. Municipal leaders should consider developing a land bank when there is significant inventory of vacant, abandoned and foreclosed properties in the community. In addition, the establishment of a land bank provides an opportunity for a city to engage in comprehensive planning for housing and economic development.

Further, local governments can use vacant and cleared land to create open space for parks, playgrounds, and community gardens to promote natural environments.

ACTION STEPS

Land banks are established to provide a legal entity and structure for municipalities to take ownership of vacant, abandoned and foreclosed properties. Here are some action steps to consider in determining if the establishment of a land bank can be a viable tool to manage such properties in your municipality.

Legislation

State legislation establishes a state land bank authority and enables the establishment of city and county land bank

authorities. These legally incorporated entities can expedite title on properties and have an exemption from taxes on land they sell. Further, land banks can be authorized to eliminate all liens and past claims, as well as clear title on a property so a new owner may purchase without concern for unresolved claims. Check to see if your state has authorized this legislation and if so, find out the process for the establishment of a local land bank authority from the appropriate state agency.

Legal structure

Policies and procedures should be established to address building codes, the collection of taxes and the use of eminent domain. The regulations usually require city council and/or county commissioners' approval and public review and comment as well before they can be adopted.

Primary functions

Land banks are formed to manage the acquisition and disposal of vacant, abandoned and foreclosed property in a municipality. In some cases, properties can come into the land bank under the use of eminent domain or even through direct purchase.

Local government generally handles the start up cost, legal arrangements and staff for the land bank. If staff and functions from several agencies are going to be merged, the review of all functions should be carefully considered for maximum integration of duties for the efficiency of land bank operations.

The land bank manages the conveyance of property i.e., the sale of land and buildings, clearing titles, developing infrastructure and holding properties for an unspecified number of years before selling for redevelopment. Unlike a housing trust, however, a land bank is not responsible for buildings and occupants after sale.

The land bank disburses revenue. The bank captures 100% of appreciation upon the sale of land/buildings. Funds are used to acquire new land /property or transferred to the municipality. Municipalities are not likely to realize profit or cover operational costs until properties are sold and /or redeveloped.

Asset Management

Identifying abandoned, vacant, and foreclosed properties helps a land bank to operate effectively and strategically. Often local government agencies and departments have data that can be compiled to create an inventory. These data may include tax-delinquencies, building code complaints, nuisance complaints and foreclosure filings.

Local governments should employ skilled persons to evaluate the inventory for physical characteristics that determine whether rehabilitation is economically feasible or demolition is most cost efficient. In addition, municipalities' long-term housing needs should determine the suitability of private or public use of the properties.

Overcoming Barriers to Establishing a Land Bank

The following barriers are the most common in the development of a land bank. Here are some recommended solu-

tions that should be addressed by your legal and policy structure as you develop your land bank. Information in this section was adapted from the following work.

[Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks by Frank Alexander. \(April 2005\).](#)

Tax delinquent properties. Foreclosure laws often fail to provide sufficient enforcement authority to allow for the efficient takeover of these properties by local governments. This can be a lengthy process of several years. In the meantime, properties and surrounding land are open to physical deterioration and potential eyesores and blight.

Solution: Municipalities must consider laws that create judicial tax foreclosure procedures with a constitutionally acceptable notice provision. This will cut down on the amount of time that properties are lingering on the market.

Numerous housing and building codes violations. Property owners in foreclosure, and absentee proprietors, in the case of rental properties, are not likely to continue to invest in maintenance and upkeep of their holdings.

Solution: Consider adopting a nuisance abatement lien policy and restructuring code enforcement procedures. Also, consider the appointment of a receiver to manage the property. This procedure enables a land bank to take control of any cash flow from the property and use it for maintenance.

Title problems. Residential properties that have been handed down for several generations without probate proceedings, usually known as "heir lands" are difficult to convey since the resolution requires the involvement of all possible heirs. Commercial properties may have multiple mortgages that remain open and yet be held by defunct corporations, and industrial properties may have environmental contamination liens.

Solution: Enact a tax foreclosure process that provides both constitutionally adequate notices to all parties and procedures to resolve all outstanding title defects.

Disposition Requirements. Local governments are subject to legal constraints on the sale and disposition of publicly owned properties.

Solution: Legislation for a land bank should specify that transfers from local governments to land banks are inter-governmental transfers exempt from disposition requirements that apply to transfers to private parties.

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RESOURCES

Information in this guide was adapted from the following sources.

Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks by Frank Alexander, (April 2005). This work was published by Local Initiatives Support Corporation. A copy is available on their website at www.lisc.org/resources.

Best Practices in Land Bank Operation by Kevin E. Obrien and Kirstin Toth. The Great Lakes Environmental Finance Center, Cleveland State University. June 2005.

Center for Housing Policy. Washington, DC. Phone:(202)466-2121.Website address. www.housingpolicy.org.

Other resources

The National Vacant Properties Campaign. For more information, call (202) 207-3355. The website address is <http://www.vacantproperties.org/>

Smart Growth America. The website is <http://www.smartgrowthamerica.org/>

The National Community Stabilization Trust. For information, the email address is info@stablizationtrust.com

U.S. Department of Housing and Urban Development Land Bank Fact Sheet. The webpage address is <http://www.hud.gov/offices/cpd/about/conplan/foreclosures/landbank.cfm>

EXAMPLES

Atlanta/Fulton County, Georgia (pop. 960,000): The Fulton County/Atlanta Land Bank was established in 1991. A significant feature of the Atlanta Land Bank is that it possesses the power to waive all delinquent property taxes on parcels of land it acquires and conveys. The Land Bank Authority takes tax-delinquent properties donated by the city and county, and conveys them to developers, most of them nonprofits, that create affordable homes. In the case of tax-delinquent properties that the affordable home developers have acquired on their own; the land bank authority pays the back taxes so that development can proceed.

A new policy allows nonprofits such as Atlanta Habitat for Humanity to buy property quickly while prices are low during a housing slump and then “bank” those properties with the land bank authority for as long as three years. During the time that the properties are banked, they will not be taxed. In the same way, the county and city governments can bank land for as long as five years. Land banking in Atlanta is generally limited to lots without houses, although a maximum of 20 percent of the total inventory can be newly built houses that are unoccupied. Contact Information: Fulton County/ City of Atlanta Land Bank Authority (404) 535-9336.

Anchorage, Alaska (pop.22, 000): The mission of the Heritage Land Bank (HLB) is to manage uncommitted municipal land and the Heritage Land Bank Fund in a manner designed to benefit the present and future citizens of Anchorage, promote orderly development, and achieve the

goals of the comprehensive plan. The Heritage Land Bank’s land base currently consists of approximately 8,000 acres. The inventory includes residential, commercial, industrial, open space, and recreational areas.

Land disposal activities include land sales, land exchanges, leases or easements. The HLB also issues permits for a variety of temporary activities on HLB land. Land may be withdrawn from the inventory and transferred to other municipal agencies or the Anchorage School District if the land is needed for the location of public facilities or purposes (schools, parks, and open space). Contact information: The HLB, Bill Mehner, at: WWWHLB@muni.org or (907) 343-4333.

Cleveland, Ohio (pop.438, 000): Cleveland was one of the first cities to establish a land bank. In 1976,the state legislature permitted the abatement of property taxes on land held by the land bank and, the creation of a dedicated fund for the prosecution of delinquent taxes and revision of tax foreclosure proceedings. A city ordinance dictates that the land bank distribute all of its acquisitions within 15 years. The city works with local community development organizations to distribute 500 to 800 parcels per year. Contact information: Cleveland Land Bank, (216) 664-4126.

Genesee County, Michigan (pop. 434,000): In 1999, the Michigan State Legislature created a new, streamlined system for returning tax-reverted properties to productive use. This changed the way foreclosed properties were handled by giving outright ownership of these properties to the local

County Treasurer after only two and a half years. With this new process, Michigan opened the door for communities to reclaim, reinvest in and rebuild their neighborhoods. Thus, the Genesee County Land Reutilization Council (LRC) was created. In 2004, after the State of Michigan passed the land bank legislation, the LRC became the Genesee County Land Bank Authority (GCLBA). The GCLBA uses the new tax law as a constructive community development tool: avoiding the potential neglect or misuse that comes from selling land at auction, the County is able to acquire abandoned land through the foreclosure process and determine the best use of that land. The GCLBA assembles land for transfer to adjacent homeowners, develops long and short-term green spaces, and assembles land for new housing and commercial development.

The Land Bank encourages reuse of more than 4,000 residential, commercial and industrial properties that it has acquired through the tax foreclosure process. This is accomplished through partnerships with public, private and non-profit partners as well as with the proceeds from the tax foreclosure process, proceeds from GCLB sales and rental programs, grants, loans, and bonds. The Land Bank has 10 programs, Planning and Outreach, Brownfield Redevelopment, Development, Adopt-a-Lot, Clean and Green, Demolition, Housing Renovation, Sales, Side Lot Transfer and Foreclosure Prevention. Contact Information: Genesee County Land Bank, (810) 257-3068 or www.the-landbank.org.

Louisville/ Jefferson County Kentucky (pop.1,245,000): The Louisville/Jefferson County Bank Authority was created in 1988 when the commonwealth of Kentucky authorized local governments to create land bank authorities. This legislation enabled the creation of independent public corporations created pursuant to interlocal agreements among key governmental entities. In Kentucky, property taxes are levied by a series of separate entities, the city, county and the school board. Contact Information: Department of Housing, (502) 574-2322.

Indianapolis/ Marion County, Indiana. (pop. 876,000): The Indy Land Bank seeks to acquire abandoned, tax delinquent, and other problem properties within Marion County, hold and maintain them temporarily, and make them available to non-profit or for-profit developers. Through this effort, the City of Indianapolis will return troubled proper-

ties to productive and economically viable use, eliminate public safety hot spots, and improve the quality of life in our neighborhoods. All properties purchased from the City of Indianapolis, through its Indy Land Bank are free and clear of all liens, delinquent taxes, housing code violations, and any other encumbrances that would prohibit the sale, disposition, mortgaging, or rehabilitation of the properties. All properties eligible for sale through the Indy Land Bank have been insured by a certified title company, as such, the title company may be contacted to address and clear any issues involving discovered encumbrances on any properties purchased from the Indianapolis Land Bank. Contact Information: Duane Ingram, Land Bank, Division of Community Economic Development. (317) 327-5614.

Valdosta-Lowndes County Georgia (pop. 97,000): The Valdosta-Lowndes County Land Bank Authority was established in 1999 through a local resolution and intergovernmental agreement adopted by the City of Valdosta and the Lowndes County Board of Commissioners. The function of the land bank is to foster the returning of property which is in a non-revenue generating, non-tax producing status to effective utilization status in order to provide housing, new industry and jobs for citizens. Since its inception, the land bank through property acquisition, disposal and housing development partnerships, has facilitated the dream of homeownership for more than 80 first time homebuyers. The land bank has also assisted one local industry with property acquisition for expansion of an existing facility. The land bank will be working over the next several years to acquire and transition property for homeownership in various targeted neighborhoods in the City of Valdosta. Contact Information: Mara Register, Assistant to the City Manager, City of Valdosta, (229) 259-3571, register@valdostacity.com.

For more information on affordable housing programs, contact Bonnie Mann in the Center for Municipal Programs and Resources at (202) 626-3125 or at mnn@nlc.org.

