Revitalizing Foreclosed Properties with Land Banks





U.S. Department of Housing and Urban Development Office of Policy Development and Research



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INTRODUCTION

Foreclosures are at the forefront of issues affecting today's housing market. The volume of foreclosures has become a significant problem, not only to local economies, but also to the aesthetics of neighborhoods and property values therein. At the same time, middle- to low-income families continue to be priced out of the housing market while suitable housing units remain vacant. In 2008, the mortgage foreclosure crisis gripping the nation added over 1.2 million foreclosed homes, increasing the inventory of vacant housing units.¹ According to the U.S. Census Bureau, there were over 14 million vacant units (year-round housing units intended for occupancy at any time of the year) in the nation during the first quarter of 2009, up from 12.6 million units in 2006.²

When properties remain vacant for prolonged periods, they can fall into disrepair, become neglected, and eventually be abandoned by their owners. Abandoned

properties pose significant fire and safety hazards, attract vandalism, and generate criminal activity.³ These properties create a ripple effect, lowering adjacent property values and contributing to the decline of entire neighborhoods. A 2005 report prepared for the Homeownership Preservation Foundation notes that a single foreclosed unit in a Chicago neighborhood reduced the property values of 13 homes located within 150 feet.⁴ In addition, communities with a large number of tax-delinquent properties lose considerable revenue and further burden local governments with increased maintenance and service costs. For instance, according to a National Vacant Properties Campaign report, Detroit, Michigan spends \$800,000 a year on vacant lot cleanup alone.⁵

While it's in a community's best interests to promote the redevelopment of abandoned and tax-delinquent properties, there are a number of barriers that inhibit progress, such as complicated state tax foreclosure processes and a lack of local government mechanisms to regain control of such properties. Some states allow tax liens to be sold at auctions, where buyers (usually speculators) have no immediate interest in returning the property to reuse. In other instances, properties that remain unsold at auctions become government-owned through a lengthy foreclosure process, during which time they decline in value and potential use.

To ameliorate the negative effects of foreclosures, some communities are creating public entities — known as land banks — to return these properties to productive reuse while simultaneously addressing the need for affordable housing. This report examines the concept of land banking and discusses barriers and solutions to the successful implementation of land banks. The report also contains case studies from three local jurisdictions — Genesee County, Michigan; Atlanta, Georgia; and, Baltimore, Maryland — that detail their experiences in land banking.



A dilapidated doorway in Baltimore, Maryland.

WHAT ARE LAND BANKS?

Land banks are governmental or nonprofit entities that acquire, hold, and manage foreclosed or abandoned properties. Enabled by state legislation and enacted by local ordinances, these legal entities are typically governed by a board of directors that "A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days."9

 The Neighborhood Stabilization
Program definition of an abandoned home. adhere to bylaws and articles of incorporation specifically tailored to meet the needs of individual communities. Funded with local government allocations or revenue from operations, they can be staffed by independent, full-time employees or by local government employees on a part-time basis.

HISTORY

Contemporary urban land banks were created in response to a large number of taxdelinquent properties and widespread property abandonment in cities experiencing a loss of industrial jobs.⁶ One such land bank was established in St. Louis, Missouri in 1971 to acquire tax-foreclosed properties that remained unsold at sheriff sales.⁷ Operations under the St. Louis Land Reutilization Authority include acceptance of donated property, assembly, and consequent maintenance of land to facilitate future development. Five years later, the state of Ohio adopted land bank-enabling legislation.⁸ Following passage of the legislation, the city of Cleveland established a land bank to acquire and dispose of tax-delinquent properties. Ohio subsequently adopted legislation in 1988 that further strengthened the land bank statute by expediting the tax foreclosure process and allowing tax abatements on land bank property.

In 2003, the state of Michigan adopted one of the most progressive land banking legislations in the nation (further discussed in Appendix A). In addition to granting city and county land bank authorities the power to assemble, sell, or redevelop large numbers of abandoned properties, Michigan's legislation allows land bank authorities to utilize tax-increment financing for the redevelopment of vacant and abandoned properties.¹⁰ Other states that have adopted land bank legislation include Georgia, Indiana, Texas, Kentucky, and Maryland.



An abandoned home in Baltimore, Maryland.

What Do Land Banks Do?

Land banks acquire properties through tax foreclosure, intergovernmental transfers, nonprofit transfers, and openmarket purchases. Tax foreclosures are the most common method of acquisition. They allow state or local taxing authorities to recoup delinquent back taxes by imposing a lien on a property without the owner's consent. Pursuant to state foreclosure laws, these properties are then sold at a public auction; those properties remaining unsold are deeded to land banks. While land banks have historically functioned to acquire tax foreclosures, the passage of the Housing and Economic Recovery Act (HERA) in 2008 allocates funds to provide communities with the means to acquire mortgageforeclosures.¹¹ In comparison to tax foreclosures, a bank or mortgage foreclosure is pursued when a homeowner does not fulfill mortgage payment requirements to the lender. The lender is then entitled to foreclose and, subsequently, assume ownership of the property.

After the acquisition process, land banks promote the redevelopment of blighted properties by exercising powers authorized in state and local statutes, such as the ability to waive taxes and clear titles. The Fulton County/Atlanta Land Bank in Georgia (further discussed in Appendix C) has the power to abate delinquent taxes and can serve as a conduit for conveying property to community development corporations (CDCs) and other nonprofit developers. The Genesee



A home rehabbed by the GCLBA in Flint, Michigan.

County Land Bank Authority (GCLBA) in Michigan cannot extinguish delinquent taxes, but it has complete discretion in setting prices, terms, and conditions (to any third party) when disposing of a property. In addition, with its sale, rental, and development programs, the GCLBA functions as a developer and property manager by renovating foreclosed homes and making them available to low-income families at affordable prices.

Land banks also provide maintenance services for vacant lots and abandoned properties. Land banks often acquire a large number of properties that are not disposed of immediately, thus creating a need for upkeep. Maintenance activities can include the demolition of dilapidated structures that pose safety hazards and routine maintenance of vacant lots, such as landscaping. The GCLBA demolishes between 100 and 200 blighted structures per year and performs maintenance-related activities for properties in its inventory.¹²

Benefits of Land Banks

Land banks are an effective tool for stabilizing communities burdened by a large number of vacant, abandoned, or foreclosed properties. They allow local governments to overcome barriers that inhibit the redevelopment of these properties. For example, the disposition of tax-delinquent properties can be challenging when delinquent taxes exceed the property's market value, or when there is no clear title to the property. A land bank, such as the Fulton County/Atlanta Land Bank — having the power to waive back taxes and clear titles can facilitate transfer of ownership in a tax-delinquent property for redevelopment purposes.

Some land banks, such as the GCLBA, operate "side-lot" programs wherein ownership of vacant lots is transferred to adjacent property owners for a nominal fee. Programs like these ensure that abandoned properties are back on the tax rolls, resulting in increased revenue and reduced maintenance cost burdens for local governments. The GCLBA also allows neighborhood residents to use vacant lots in its inventory to create community gardens. Such projects beautify neighborhoods and help stabilize property values in declining areas.

The affordable housing stock also benefits from land banks. In the event that vacant lots cannot be developed due to a lot's irregular shape or small Before and after renovation pictures of a property in Flint, Michigan.



size, land banks can assemble adjoining parcels to create a larger, more marketable property. In so doing, these larger parcels can be sold to CDCs and other nonprofit developers, at below market rates, to support the creation of affordable housing. In addition, land banks can hold property for future affordable housing development, thus enabling local governments to curb the negative effects of gentrification. Additionally, developers are able to save on holding costs by acquiring property directly from a land bank. Local governments can further expand affordable housing opportunities by using land banks to purchase mortgage-foreclosed homes and make them available to low-income households at affordable rates.

Emerging Trends

Within the next two years, at least 47 states will be facing significant budget shortfalls.¹³ Public resources are stretched thin and the gloomy economic forecast is compounding government challenges to recover from the mortgage foreclosure



crisis. To provide financial relief during these unsettled times, Congress enacted the Neighborhood Stabilization Program (NSP).¹⁴ The program — authorized under HERA — provides emergency assistance to state and local governments hardest hit by the foreclosure crisis. NSP funds are distributed to states and communities presenting the greatest need based on the number and percentage of foreclosures, subprime mortgages, delinquencies, and defaults. Its purpose is to stabilize neighborhoods and encourage the reuse or redevelopment of residential property.

The U.S. Department of Housing and Urban Development (HUD) allocated \$3.92 billion of grant funds to all 50 states, 5 territories, and 254 local jurisdictions. Grantees are required to use at least 25 percent of the funds to provide housing for individuals or families earning less than 50 percent of the area median income. In addition, all activities funded by NSP must benefit low- and moderateincome households earning less than 120 percent of the area median income.

Under the NSP, grantees may establish a land bank to purchase foreclosed or abandoned properties. The land bank cannot hold property for more than 10 years, but may maintain property that it does not own, provided that it charges the property owner the full cost of maintenance, or places a lien on the property. In order to receive NSP funds, grantees must first establish an area that would be serviced by the land bank, and while a number of land bank activities may be pursued, HERA only allows NSP funds to be used for acquisition.

In 2009, the American Recovery and Reinvestment Act (the Recovery Act) was passed into law, in part to further assist state and local governments and nonprofit organizations in pursuing NSP activities. The Recovery Act allocates \$1.93 billion in grants to be distributed on a competitive basis. The objective of the program remains unchanged, but some regulations have been modified. For example, NSP2 — a term used to reference funds authorized under the Recovery Act — allows land banks to receive funds for operational costs and expands the land bank target from strictly foreclosed homes to residential property in general. A number of communities have included land banks as part of their NSP plans. According to HUD's analysis, 4.2 percent of NSP funds are being proposed for land banking activities.¹⁵

Columbus, Ohio

The city of Columbus, Ohio plans to utilize approximately \$22.8 million in NSP funds that it received to acquire, demolish, rehabilitate, and redevelop foreclosed and abandoned properties.¹⁶ The city will carry out these activities through its land redevelopment office, which functions as the city's land bank. The city's NSP plan proposes to acquire 150 units — 130 of these will be demolished — and develop 111 new units that will be made available to low- and moderate-income households. The city's land redevelopment office will coordinate the acquisition of these properties using NSP funds.

Chattanooga, Tennessee

The city of Chattanooga, Tennessee has set aside \$250,000 in NSP funds to establish a land bank that will help convert abandoned properties into productive use.¹⁷ The land bank will acquire foreclosed properties and assemble city-owned parcels scattered throughout the city for future development. Properties will be sold to households earning no more than 120 percent of the area median income. The city will place lien restrictions on such properties to ensure long-term affordability.

Genesee County, Michigan

Foreclosed homes purchased with NSP funds in Genesee County, Michigan will be held by the Genesee County Land Bank Authority (GCLBA) until they are

Neighborhood Stabilization Program

The Housing and Economic Recovery Act of 2008 (HERA) allocates \$3.92 billion for the Neighborhood Stabilization Program (NSP) to provide assistance to state and local governments for community redevelopment. The purpose of the NSP is to stabilize communities through the progressive reuse of abandoned and foreclosed properties. According to HERA, funds may be used to:

A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as softseconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;

B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;

C. Establish land banks for homes that have been foreclosed upon;

D. Demolish blighted structures; and

E. Redevelop demolished or vacant properties.

Under the NSP, land banks are funded for activities related to the acquisition and disposition of foreclosed properties. However, land banks may pursue other activities (i.e., financing mechanisms, rehabilitation, demolishing blighted structures, or redeveloping demolished or vacant properties) provided they serve rehabilitative uses and are pertinent to achieving the goals set forth by the NSP.¹⁹

Figure 2: Timeline for Mortgage Foreclosures*



disposed. The GCLBA will help clear titles and assist in the demolition of blighted properties.¹⁸ In addition, the land bank is seeking to partner with a real estate development firm in anticipation of being awarded NSP2 funds to financially assist prospective homebuyers and to continue rehabilitation projects.

Land Bank Challenges

Communities can face a number of obstacles when executing land bank policies. First, the process of acquiring foreclosures can be lengthy and cumbersome. Tax foreclosure proceedings vary from state to state and often require involvement on the part of several jurisdictions to obtain clear title. A clear title is necessary to effectively redevelop foreclosures — it guarantees that a property is clear of all liens and certifies that a previous title holder cannot claim the property at a later date.

Depending on the state, there are two common types of foreclosure proceedings: the judicial foreclosure and power of sale. In a judicial foreclosure, a delinquent property is sold at auction to the highest bidder. The auction is carried out by a local court or sheriff's office. A property foreclosed by a power of sale is auctioned off by the mortgage company and may be subject to a judicial review.²⁰ The advantage of a judicial foreclosure is that it includes obtaining a clear title prior to auction, thereby shortening the foreclosure process in the long run. Reforming state legislation may assist in expediting the foreclosure process, while introducing enough flexibility to help homeowners save their homes.²¹

Second, municipalities often lack experience in coordinating key stakeholders to achieve successful outcomes. In many cases, municipalities have the capacity to administer a land bank, but intergovernmental dichotomies inhibit regional goals.²² To ensure that foreclosed, vacant, and abandoned properties are acquired and disposed of efficiently, "state legislation should provide clear parameters and statutory authority for interlocal agreements."²³

Another critical challenge is financing. Acquiring, renovating, and disposing of these properties can be costly. Diligent planning and proper funding mechanisms are needed to ensure that foreclosures are not acquired by speculators, but are instead put to productive use. Subsequently, operational land banks require a means of generating revenue. Adopting state legislation to grant municipalities the authority to develop funding mechanisms that suit their individual needs can assist in successfully implementing and executing a land bank.²⁴

Getting Started

Communities looking to create a land bank authority will find a guidebook by Emory University professor Frank Alexander, *Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks*, helpful in identifying key factors and outlining action steps for the implementation of a land bank.²⁵ Alexander's work details important aspects of getting started, such as:

Laying the groundwork. To clearly identify and prioritize community goals, one must first understand the problem. Gathering an inventory of existing abandoned, vacant, and foreclosed properties that identifies their location, condition, and ownership information will help determine the factual basis for establishing a land bank, and lay the groundwork for more supportive state and local policy-making.

Land bank-enabling legislation. In order for municipalities to take advantage of this tool, states must first adopt land bank enabling legislation. State statutes play a significant role in the creation of land bank authorities. They authorize local governments to establish land banks with powers designed to accomplish regional

* Timelines vary by state.

and local community goals, such as blight removal, neighborhood redevelopment, and the creation of affordable housing. Along with defining acquisition and disposition policies, identifying revenue sources, and outlining the governing structure of a land bank, state enabling legislation can also facilitate the sale or redevelopment of abandoned properties by authorizing land banks to eliminate back taxes, clear titles, and set below-market sale prices. Ensuring that land banks have the authority to streamline the acquisition and disposition of foreclosed and abandoned properties allows local governments to further the cause of affordable reuse.

In addition to laying the groundwork and establishing enabling legislation, a municipality must understand how to organize and implement a land bank. The following section contains case studies from three public land bank authorities in Genesee County, Fulton County, and Baltimore City. Each land bank is unique, with diverse policies and programs that vary depending on the long-term goals of the community they serve. Using these case studies as a template, communities can tailor land bank policies to address their individual needs.



A vacant and abandoned home in Baltimore, Maryland.

The Regulatory Barriers Clearinghouse

To find more information about Land Banks and other strategies that help support affordable housing, please visit HUD's Regulatory Barriers Clearinghouse at www.regbarriers.org.

Appendix A Genesee County Land Bank Authority

For over four decades, the city of Flint, Michigan and other communities located in Genesee County have struggled with high population loss and increasing property abandonment (see Figure A1). At its peak in the 1960s, Flint — birthplace of General Motors — had a population of almost 200,000.²⁶ With the auto industry's declining fortunes and concomitant loss of manufacturing jobs, the city's population began steadily decreasing as people left in search of jobs and better prospects, leaving behind vacant and abandoned houses. This abandonment has led to mounting tax-delinquencies, and in tandem with a weak real estate market, contributed to widespread neighborhood decline in Flint and the surrounding areas.

Michigan's former tax foreclosure laws compounded the problem of neighborhood decline. There was no mechanism in place to allow local governments to take control of tax-delinquent properties. Instead, the state allowed private speculators to purchase tax liens on these properties. The properties that remained unsold became state-owned through a lengthy foreclosure process, lasting anywhere from four to seven years.²⁷

State Tax-Foreclosure Reform

To mitigate this problem, Michigan adopted legislation reforming the tax-foreclosure process and enabling the creation of local land bank authorities. The state passed the Delinquent Property Tax Foreclosure Act of 1999 (Public Act 123), which authorized counties to foreclose on tax-delinquent properties.²⁸ Counties were given the choice of functioning as local governmental foreclosing units or letting the state handle foreclosures.²⁹ Counties that chose to participate could use revenue generated from the sale of foreclosed properties to create a "land reutilization fund" with which to manage their inventory. The legislation also streamlined the foreclosure process, reducing the time property owners had to pay back taxes and allowing local authorities to reclaim declining tax-delinquent properties in less than three years.



Figure A1: Percentage of Total Vacant Housing Units in the city of Flint and Genesee County, Michigan

Source: U.S. Census *Census estimate based on data collected between January 2005 and December 2007

In 2003, Michigan adopted another key piece of legislation known as the Land Bank Fast Track Act (Public Act 258). Considered the most progressive land banking legislation in the nation, Public Act 258 allows county governments that opted in under Public Act 123 to create city and county land bank authorities with powers to assemble, sell, or redevelop a large number of tax-foreclosed properties in an expedited manner. The law also allows counties to adopt a brownfield redevelopment plan for tax-foreclosed properties, thereby facilitating the use of tax-increment financing for redevelopment.

Establishing the Land Bank

Genesee County chose to act as the local governmental foreclosing unit under Public Act 123 and created the Genesee County Land Reutilization Council (GCLRC) in 2002. Two years later, enabled by the Land Bank Fast Track Act and an intergovernmental agreement between the state's land bank authority and the



Vacant lot acquired by adjacent homeowner as part of the GCLBA's side lot transfer program. Photo Credit: GCLBA

Treasurer of Genesee County, GCLRC evolved as the Genesee County Land Bank Authority (GCLBA). That present-day public entity is independently governed by a board of directors consisting of the County Treasurer and residents of Flint and Genesee County.³⁰ With its own set of by-laws and a fulltime staff, the land bank acquires tax foreclosures and determines the best use for these properties, in keeping with the long-term vision for the community. Over the past five years, the land bank has returned 1,500 properties to some form of productive reuse.

Property Acquisition

The GCLBA acquires property primarily through tax foreclosure. When properties enter foreclosure after two years of unpaid property taxes, they are deeded to the County Treasurer. Each year, foreclosed properties are offered for sale by public auction to recoup back taxes. Working in conjunction with the Treasurer's office, land bank staff identifies foreclosed properties on which to bid at these auctions. At the end of the year, foreclosed properties that remain unsold by public auction are automatically deeded to the land bank. Other land acquisition methods used by the land bank include property transfers from private, nonprofit, or governmental entities, and purchase on the open market.

Land Bank Programs

The GCLBA operates 10 different programs designed to ensure productive reuse of tax-foreclosed properties through foreclosure prevention, housing renovation, side lot transfer, clean and green (vacant lots are converted into gardens and green space), planning and outreach, demolition, property maintenance, sales, development, and brownfield redevelopment. Since most of the properties acquired by the land bank are either vacant lots or homes in severe disrepair, the GCLBA categorizes them for demolition, rehabilitation, or for rent or sale to interested parties.³¹ Neighborhood revitalization, homeownership, and increasing housing opportunities for low-income families are top priorities at the GCLBA. As of February 2009, the land

bank held 4,200 properties in its inventory, of which close to 3,400 are vacant lots; nearly 88 percent are located within the Flint city limits.

The land bank renovates 25 to 50 abandoned and dilapidated houses annually, and then sells or rents them at affordable rates to qualified tenants with an option to own. Monthly rent for many of these homes is kept under \$400. The side-lot and adopt-a-lot programs give homeowners the option to lease/purchase adjacent vacant lots from the land bank. Other vacant lots are transferred to nonprofit entities for development, operation, or maintenance of affordable housing.

Back taxes, taxes generated from redevelopment, and revenue from its sales and rental programs finance GCLBA operations. It also receives 50 percent of property taxes collected on transferred properties for the first 5 years, while tax-increment financing pays for clean-up and demolition of properties.

The GCLBA has succeeded in transforming neglected tax-delinquent properties into productive, tax revenue-generating properties, while achieving the long-term community goals of affordable housing and neighborhood stabilization. A recipient of the 2007 Innovations in American Government Award, the GCLBA is now a model for public land banks across the nation. Dan Kildee, County Treasurer and board member of GCLBA, emphasizes that flexibility is the key for successful implementation of a land bank. Kildee advises communities to create realistic expectations and to adopt a flexible working plan for land banks.³²



A view of a residential property in Flint, Michigan, before and after renovation.

"The land bank has made it possible for me to be independent. I always refer my friends to the land bank."

—Tynisha Howell, a Flint resident who is renting a GCLBA-rehabbed home with an option to buy.

Appendix B Baltimore City, Maryland

Baltimore is the largest city in the state of Maryland. Dubbed "Charm City," it was established in 1729 and thrived as a seaport community until the latter half of the 20th century, when factories closed and manufacturing jobs were lost. Today, the city's Inner Harbor is a popular tourist destination with ample entertainment and



Blighted row houses in Baltimore, Maryland.

retail venues, but bustling tourism alone cannot bolster the city's significant economic decline and resulting housing crisis. According to the U.S. Census Bureau, Baltimore City has undergone significant population changes since the 1950s. Having lost nearly 33 percent of its residents, the city struggles to address the growing blight and crime occasioned in part by over 37,000 vacant and abandoned housing units.³³

Project 5000

In 2002, then Baltimore City Mayor Martin O'Malley set out on an ambitious two-year plan to acquire 5,000 vacant and abandoned properties and put them back into productive use. "Instead of using our resources and powers to put properties back on the market, we've been spending it on the maintenance of divestment. It's time to wake the dead potential of these lots and buildings. It's time to

return value to our city's land and make that value work for us," O'Malley observed.³⁴ Baltimore's aggressive approach to take ownership of blighted properties was intended to rally public support for Project 5000 — an initiative managed by the city's Land Resources Division — and its objective to mitigate the growing vacancy problem that has plagued Baltimore City for decades.

When O'Malley first sought to implement the program, the city had a vacancy rate of 14.1 percent — the fourth highest in the nation. "Vacant houses breed crime, they breed trash, and they diminish the value of homes that represent the lifesavings of hardworking citizens," said O'Malley. The plan was to acquire vacant and abandoned properties through tax foreclosures, quick-sales, eminent domain, and



A blighted residential structure in Baltimore, Maryland.

traditional acquisitions (and to transfer surplus city-owned property previously held by the Housing Authority of Baltimore City). The strategy was implemented incrementally; the first step was to identify properties for acquisition.

Through a collaborative effort between city agencies and community partners, a property selection process was developed, with a housing database established to help staff determine which properties to choose for acquisition. The result is a webbased tool, HousingView, featuring geographic information and property data where decisionmakers review aerial photographs in search of vacant buildings and lots. The majority of properties targeted for acquisition were located in the Sandtown-Winchester, Middle East, and Central Park Heights neighborhoods of Baltimore City. The city targeted properties for acquisition when favorable development opportunities existed.

The second stage of the initiative established partnerships to minimize operating costs. Project 5000 received free and discounted services valued at upwards of \$5 million from attorneys, newspapers, and other legal entities. During the third stage, the city streamlined and improved the acquisition and legal processes to grapple with large-scale foreclosure proceedings, and a web-based tracking tool — the City of Baltimore Land Asset Manager (CoBLAM) — was developed to track the flow of legal work. The last stage dealt with the disposition of all acquired properties by various methods: Selling City-Owned Property Efficiently (SCOPE) partnered with local realtors to sell higher-priced homes on the open market; rolling bids were administered for properties of lesser value; and Request for Proposals (RFPs) were used for multiple properties with specific development goals.

Prior to the launch of Project 5000, the Land Resources Division acquired only 200 properties annually. The project not only met, but substantially exceeded its goals. Over 6,000 properties were acquired during its 3-year run, and a number of city innovations were developed as a result of the program. Although successful on many counts, the project was not without its challenges. Baltimore City currently owns over 10,000 vacant and abandoned properties, making it one of the largest holders of blighted city-owned parcels in the nation.³⁵ Managing a large inventory of real estate has resulted in several challenges for the city. Seeking reform, Mayor Sheila Dixon requested that the Department of Housing and Community Development (HCD) generate a plan to implement a land bank.

Project 5000 Results		
Operating Costs	\$7,418,238	
Capital Costs	\$14,626,248	
Average Expenditure per Acquisition	\$12,606 (eminent domain)	
Average Expenditure per Acquisition	\$1,600 (tax foreclosures)	
Total Properties Acquired	6,000 (approximate)	
Properties Returned to Private Ownership	1,000 (approximate)	
Sales Revenue	\$4,500,000	
Taxes and Fees Collected	\$1,800,000	

Figure B1: Baltimore City, Maryland's Project 5000 Results Source: U.S. Conference of Mayors



A vacant home in Baltimore.

Baltimore City Land Bank Authority Proposal

Public officials have frequently discussed the creation of a land bank to reduce the high number of vacant and abandoned homes throughout Baltimore City. Although there has been much interest in the issue, the sizable scope of the project has deterred any action — until now. At the request of Mayor Sheila Dixon, the HCD generated the report *A Plan to Create the Baltimore City Land Bank*. "Too many Baltimore neighborhoods are plagued by problems associated with vacant, boarded-up properties. Abandoned properties drain value from the homes of innocent neighbors. They undermine the quality of life in our neighborhoods. And they cost the city money," said Mayor Dixon. Released in 2007, the report identifies



A renovated home in Baltimore, Maryland.

problems with the existing property acquisition and disposition processes and lays out an implementation plan for the creation of the Baltimore City Land Bank.

The existing process to sell city-owned property is complex and requires duplicative efforts by a number of city agencies, including the HCD, the Comptroller's Real Estate Office, the Space Utilization Committee, the Department of Finance, the Law Department, the City Council, and the Board of Estimates. Given these and other significant barriers, the acquisition and disposition of a single property can take up to three years to complete, only adding to the city's struggle to efficiently dispose of units in a way that ensures rehabilitation, and ultimately, an improved quality of life. Moreover, the sales process targets buyers that are familiar with the

system and seeks maximum profits over development outcomes — placing community development corporations, neighborhood groups, and local affordable housing developers at a competitive disadvantage. To resolve these problems, the report recommends a three-step implementation strategy to:

- 1. Amend the city code to grant HCD the authority to sell abandoned property;
- 2. Place property suitable for redevelopment under the management of a central agency; and
- 3. Create a nonprofit entity to acquire, maintain, and sell abandoned property on the city's behalf.

The Baltimore City Code requires that the Board of Estimates certify the legal and financial capacity of contracting parties prior to the sale of a property. This process stipulates that the sale price must meet or exceed the appraised value focusing on profit, not development outcome. The approval process can add several months to disposition proceedings. Amending the city code to grant HCD authority to sell abandoned property can streamline the process, while still being subject to accountability.

City-owned property is divided between HCD, Recreation and Parks, and the Real Estate Office of the Comptroller. In some cases, HCD and the Comptroller hold property within the same city block. Both departments have failed to agree on a marketing strategy to dispose of these units. As a result, when developers attempt to acquire multiple listings within a city block, they must conduct separate negotiations with each city office. In adopting new guidelines designating HCD the central agency, the city could eliminate duplicative negotiations and reviews that add expense and occasion delay for developers.

Another policy that prolongs disposition is the method by which services are procured. The management of city-owned property is fragmented; each stage of a real estate transaction from acquisition to disposition requires a variety of services, ranging from maintenance and repair to obtaining appraisals. The city's rules regarding the hiring and retention of staff to provide these services have hindered progress on all fronts. Creating a nonprofit entity to acquire, maintain, and sell abandoned property on the city's behalf will streamline the process for selling properties, allow greater flexibility in recruiting necessary services, and establish clearly defined policies for property disposition.

Maryland's Enabling Legislation

During the 2008 Legislative Session, the Maryland General Assembly passed Senate Bill 911, which empowers Baltimore City to create a Land Bank Authority (LBA). The enabling legislation creates an 11-member board of directors consisting of six city officials and five city council appointees to govern the nonprofit agency.

The LBA is charged with adopting bylaws, rules, and regulations to return vacant properties to productive use. This quasi-governmental organization can acquire, manage, and sell city-owned property and procure services from other public or private entities in order to effectively manage operations. Additionally, the LBA may lease, transfer, demolish, repair, and dispose of property it holds or owns and take all other actions necessary to preserve its value.

The authority is exempt from paying state or local taxes, but the property that the authority sells or leases to a private party is subject to state and local property taxes from the time of sale or lease. Unlike Project 5000, the LBA does not have the power of eminent domain and cannot levy any tax or special assessment.

Throughout the summer of 2008, a task force created by Mayor Dixon met with government officials to draft city legislation that will allow the implementation of the Land Bank Authority. According to the Mayor, even in a down economy, developers continue to express interest in the vacant and abandoned properties. "By streamlining the process for selling city property, adopting policies from various stakeholders, and consolidating development parcels, our neighborhoods will attract new investment," said Dixon. The proposed legislation was presented to the city council in January 2009 and is currently awaiting approval.

Appendix C The Fulton County/City of Atlanta Land Bank Authority

The Atlanta, Georgia metropolitan area is one of the fastest growing regions in the United States. However, the city of Atlanta's population growth has been disproportionate compared to the growth of surrounding suburban areas. In the 1970s, Atlanta — the state capital and Fulton County seat — experienced a significant population decline. During this time, housing vacancy rates increased from 5 to



A view of downtown Atlanta, Georgia.

almost 15 percent.³⁶ The population loss did not subside until after 1990, when expanding employment opportunities in parts of the city attracted new residents. From 1990 to 2007, Atlanta's population grew by over 30 percent.³⁷ Demographic projections indicate that the city's population will continue to increase, but a large number of workers will live outside of the job-rich region, due to a lack of affordable housing.³⁸ Meanwhile, gentrification of the city's older and more affordable neighborhoods is resulting in the displacement of existing low-income households, exacerbating the need for affordable housing.³⁹

For the past 18 years, the Fulton County/City of Atlanta Land Bank Authority (LBA) has been instrumental in redeveloping declining neighborhoods and increasing the city's affordable housing supply. The LBA enables community development corporations (CDCs) to acquire

tax-delinquent properties with insurable titles at below market prices for affordable development. Since its inception, the LBA has facilitated the transfer of 50–100 properties per year. As a result of the current mortgage foreclosure crisis, there are a vast number of homes in the city that are standing vacant and abandoned. With powers granted by state legislation, the LBA is in a unique position to stabilize declining neighborhoods with high foreclosure rates.

State Enabling Legislation

Georgia is one of the few states in the nation to have adopted legislation expediting the tax foreclosure process and enabling the creation of public land bank authorities. In 1990, the state adopted legislation allowing one or more cities and counties to enter into an interlocal cooperation agreement to create a land bank authority with the power to acquire, clear title, and dispose of tax delinquent properties.⁴⁰ The legislation also granted land bank authorities the power to forgive delinquent county and city taxes, including school district taxes (with the consent of the school board) on acquired properties. In addition, Georgia enacted the judicial tax foreclosure system in 1995, making it easier to obtain clear and insurable titles to tax-foreclosed properties. The law expedited the tax-foreclosure process by reducing the redemption period from 12 to 2 months.

The Land Bank Authority

Following the adoption of state-enabling legislation, the Fulton County/ City of Atlanta Land Bank Authority (LBA) was created in 1991 as a joint quasigovernmental authority with an independent board of directors consisting of city and county officials. The LBA is aided by four taxing jurisdictions — Fulton County, the city of Atlanta, the Atlanta Public School System, and the Fulton County Board of Education — in its mission to revert nontax-generating properties to productive use, primarily for affordable housing purposes.⁴¹ With day-to-day operations overseen by full-time staff members, various other city and county departments provide support services to the LBA. For example, the Fulton County Department of Buildings & Grounds and city of Atlanta's Department of Public Works provide maintenance services for land banked properties. The LBA is also authorized to retain outside consultants to carry out its duties.⁴⁰

Encouraging Affordable Development

The LBA can bid for tax-foreclosed properties or notify the county Tax Commissioner of its intent to acquire tax-delinquent properties scheduled for foreclosure. However, the main mechanism by which the LBA acquires properties is through governmental and nonprofit/developer transfers. The land bank encourages CDCs and other affordable housing developers to acquire taxdelinquent properties from current owners prior to the start of foreclosure

proceedings (Fulton County maintains a searchable database that housing developers can use to locate tax-delinquent properties for acquisition). Developers purchase or negotiate an option to purchase tax-delinquent property from the owner and transfer the acquired property title to the LBA. The LBA then clears the title and waives all back taxes on the property before conveying the title back to the developer (see Figure C1).

LBA prioritizes conveyance of property to local nonprofit agencies that will utilize the property for affordable housing purposes. Conditions imposed by the LBA require developers to create new affordable housing on transferred property within three years, or title to the property reverts back to the LBA and delinquent taxes are reinstated. A new policy introduced in 2008 allows the LBA to hold properties purchased by CDCs for three years and cityor county-owned properties for up to five years. The properties are not taxed during the period in which they



Renovated single-family home in Atlanta, Georgia. Photo Credit: Fulton County/Atlanta Land Bank Authority

are held by the land bank, thereby reducing holding costs, which in turn translate to lower development costs for the CDCs and other non-profit developers.⁴³

The LBA has full discretion in setting sale prices for acquired properties, but any proceeds resulting from property sales are transferred to participating taxing jurisdictions before being distributed to the LBA. Without significant revenue from its operations, the LBA utilizes annual appropriations from participating local governments to fund its activities.

Accomplishments

A recipient of the U.S. Department of Housing and Urban Development's Best Practices Award, the LBA has been instrumental in revitalizing blighted neighborhoods in the city of Atlanta. The LBA has facilitated redevelopment of mixed-income subdivisions, such as The Orchard, Ware Estates, and Adamsville Place.⁴⁴ With the adoption of the new land bank holding policy, affordable housing groups have identified more than 140 parcels to bank for future development. Following the passage of the Housing and Economic Recovery Act, the city of Atlanta and Fulton County are planning to partner with the LBA to acquire additional properties with funds from the Neighborhood Stabilization Program. Figure C1: Fulton County/City of Atlanta Land Bank Authority Transfer of Property Process Source: Fulton County/City of Atlanta Land Bank Authority



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