Land Banking 101

Pennsylvania Land Bank Act

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March 20, 2013

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Land Banks and Land Banking

I. What, When, Why and Where

II. Property Acquisition

III. Property Disposition

IV. Goals and Strategies

V. Pennsylvania Land Bank Act
The Costs of Vacancy

Vacancy or delinquent lowers values within 500 feet by 2.1%

Vacant and delinquent lowers values by 2.7%

Foreclosed but not delinquent or vacant lowers values by 3.9%

Foreclosed and vacant or delinquent lowers values by 6.1%

Foreclosed, vacant and delinquent lowers values by 9.4%

I. Definition

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

- Surplus public property
- “Below water” properties
- Abandoned properties
- Tax delinquent properties
I. The Evolution of Land Banks

First Generation
- St. Louis (1971)
  - Cleveland (1976)
  - Louisville (1989)
  - Atlanta (1991)

Second Generation
  - Cuyahoga & Ohio (2008)
    - New York (2011)
      - Georgia (2012)
      - Missouri (2012)
      - Pennsylvania (2012)
I. Triggers for Creating Land Banks

- Fragmented inventories
- Large inventories of abandoned/vacant property with little market value
- Ineffective tax foreclosure procedures
- Code violations
- Title problems
- Property disposition requirements
I. 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
- Disposition of property in accordance with local priorities
II. Property Acquisition

- Tax delinquency is an early sign of possible abandonment
- Properly conducted tax foreclosures are the best assurance of insurable and marketable title
- Tax sale bidding advantages for land banks
- Possibility of “credit bids” and “trump bids”
A Note on Foreclosures & REO

- NSP Funding provided a key link to REO acquisition
- Lenders and servicers are increasingly sensitive to holding costs including code enforcement and vacant property registration
- Lenders and servicers are increasingly exploring donative transfers to land banks
II. Property Acquisition

“Know Thine Inventory”

✓ Basics:
  - Address; tax parcel number; legal description
  - Lot size; legal description; occupants ?
  - Zoning; historic designation

✓ Characteristics:
  - Improvements: condition, quality
  - Environmental Concerns

✓ Disposition Options:
  - Open Market Sales
  - Side Lot Transfers
  - Targeted Priorities
III. 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
IV. Goals and Strategies

**Goal**
- Eliminate blight
- Maximize short term revenue
- Maximize long term revenue
- Affordable housing/commercial?
- Finance Land Bank operations
- Neighborhood stabilization

**Strategy**
- Demolitions, rehabilitation
- Sale to highest bidder
- Convey for sustainable development
- Convey at lowest price
- Maximum inventory and maximum discretion
- Demolition, rehabilitation, side lot transfers
V. PA Land Bank Act

- Signed by Governor Corbett on January 17, 2013
- Third generation land banking legislation
- Regionalism, Self-Financing Mechanisms, Locally Determined Priorities
Land Bank Jurisdiction

County, city, borough, township or incorporated town with pop. > 10,000

or

2+ municipalities with pop. < 10,000 that enter ICA to create land bank
V. PA Land Bank Act: Creation

How is a land bank created?

- Single Land Bank Jurisdiction
  - Local Legislation
- Multiple Land Bank Jurisdictions
  - ICA + local legislation
- Land Bank Jurisdiction + municipality
  - ICA + local legislation
V. PA Land Bank Act: Creation

- School districts may participate
  - ICA with Land Bank
  - Board representation
  - Land bank actions may be subject to approval by school district
VI. PA Land Bank Act: Board

- Odd number between 5 and 11
- Public officers are eligible to serve
- Board must include one member who is a) resident of land bank jurisdiction, b) is not a public official or employee, and c) is a member of a civic organization in the land bank jurisdiction
- Board members serve without compensation
- Certain matters require approval of majority of entire board membership
VI. PA Land Bank Act: Powers

*Example Land Bank Powers*

- Land banks may contract, invest and borrow money.
- Land banks may own, design, develop, construct, demolish, rehabilitate, lease, or otherwise dispose of real property.
- Land bank may extinguish delinquent taxes on land bank property.
- Land banks do not have power of eminent domain.
V. PA Land Bank Act: Acquisition

Land bank acquisition methods:

- Donation
- Municipal Transfer
- Transfer from Tax Claim Bureau
- Purchase
- Tax foreclosure Sales
V. PA Land Bank Act: Tax Foreclosure

- RETSL & MCTL Jurisdictions
  - Municipality may transfer tax claims or liens to land bank
  - Land bank may bid minimum at upset sale and obtain property for sale costs if no other bids
  - Land bank may obtain property at judicial sale through credit bids per agreement with the foreclosing municipality
V. PA Land Bank Act: Tax Foreclosure

- Allegheny County *(Second Class City Treasurer’s Sale and Collection Act)*
  - Municipality may transfer tax claims or liens to land bank
  - Land bank may obtain property for less than upset price at upset sale only pursuant to agreement with municipalities whose claims comprise upset price
V. PA Land Bank Act: Maintenance

- Land bank property is tax exempt
  - (except after fifth year of continuous lease to for-profit third party)
- Land bank property must be listed in publicly available inventory
- Land bank property must be maintained in accordance with local law
V. PA Land Bank Act: Disposition

- Dispositions may be subject to locally determined hierarchy of priorities
- Land bank board must set policies for disposition and develop framework for strategic reuse
- Land bank may dispose of real property on such terms and for such consideration as determined to be in the best interest of the land bank
V. PA Land Bank Act: Financing

- Revenue from land sales, rent and/or partnerships
- 5 year and up to 50% tax recapture program
  - *school taxes only recaptured pursuant to ICA with land bank*
- Issuance of bonds to borrow money
- Philanthropic, governmental or private grants and loans
Questions for Consideration

- What are the problem parcels in your community? Where? Why? How Many?
- What data is available? What data do you need?
- Who are your community partners (public and private)?
- What are your financial resources?
- Will a land bank be an effective part of the solution?
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