

# LAND BANKING

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## A New Tool for Communities





# Overview of this Session

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- What is a “Land Bank”?
- Why create one? The challenges and benefits to Land Banking.
- Who’s doing them and How?
- What is the role of the MSUE Educator-Agent in Land Banking?

# What is a Land Bank?

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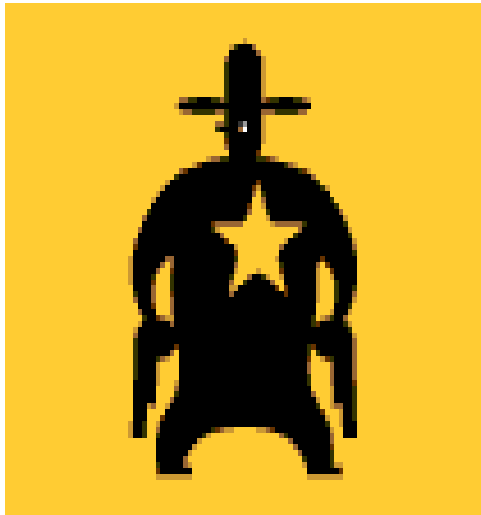
- A vehicle for managing the disposition of public assets in a comprehensive manner that will maximize local policy goals.



HUH???....

# What is a Land Bank?

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- A governmental entity that focuses on conversion of tax-delinquent, tax-reverted, and abandoned properties into productive use.

# What is a Land Bank?

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- In Michigan, a Land Bank Authorities draw their powers from a set of bills signed into law in January, 2004.
  - PA 259 authorizes property in a LB to be included in an authority wide brownfield plan.
  - PA 260-261 Exempts LB properties from general property tax act for 5 yrs and imposes an eligible tax reverted property specific tax.
  - PA 262 allows state treasurer to invest surplus funds in loans to Authorities or BRAs to pay the costs to quiet title.
  - PA 263 Establishes a procedure for determining ownership of a tax reverted parcel and a way to notify owners of the process.




# How Michigan does Land Banks

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## **Land Bank Fast Track Act MI Public Act 258 of 2003**

Enabling legislation allows for the creation of land bank fast track authorities to assist governmental entities with assembly and clearance of title to property.



# **Michigan Property Tax Foreclosure Law Public Act 123 of 1999**

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Allows state or county foreclosure after two years.

Some abandoned properties can be foreclosed after one year.

Process results in State court's clear title judgment, a significant advantage in reuse of land.

# What is a Land Bank?

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- Land Banks allow local government to overcome some of the legal restraints that keep us from converting public land and public liens on private land into performing (tax generating) assets.



# What is a Land Bank?

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- A land bank is a place the County can collect and manage abandoned, dilapidated, tax-reverted properties so that they are repaired, maintained, and put back into productive use.



# Why Create a Land Bank?

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A land bank can:

- Provide land and buildings for affordable housing
- Put property back on the tax rolls
- Stabilize declining neighborhoods by repairing, removing, or re-developing abandoned, blighted property.



# Why Create a Land Bank?

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A land bank can:

- develop green spaces
- create developable sites for income generating business by collecting and joining abandoned lots into a business-able sized site
- facilitate the revitalization of brownfields



# Why Create a Land Bank?

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A Land Bank Can:

- Clean up the tax rolls and resolve some of the mystery of abandoned, unused properties.
- Provide owners a way out from under tax delinquent property.

# Who is doing Land Banking?

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- Five states have established notable Land Bank Statutes.
  - Georgia, Kentucky, Missouri, Ohio, Michigan
- For an comparative study of different programs
  - **Land Bank Authorities, A Guide for the Creation and Operation of Local Land Banks** By Frank S. Alexander, Emory University School of Law. Published by Local Initiatives Support Corporation (LISC). Available on the LISC Online resource library: [www.lisc.org/resources](http://www.lisc.org/resources)



# How MI Does Land Banks

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- **Michigan** authorizes Land Banks to receive, but not automatically be given, properties forfeited to the state as a result of tax foreclosure proceedings. The law allows local governments to acquire tax reverted properties that could otherwise be conveyed to a land bank.



# How MI does Land Banks

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- Michigan's tax foreclosure law now allows County Treasurers to postpone foreclosure on a property owner facing a "substantial financial hardship." The local government can direct homeowners to resources that will help them keep the property or sell it for a profit.



# A MI Land Bank Authority can:

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- Hold property in its own name
- Acquire property by accepting a deed in-lieu of foreclosure (w/ consent of taxing jurisdictions & foreclosing government)
- Assemble property through all available mechanisms (except condemnation or eminent domain)
- Avoid liability under part 201 NREPA unless they are responsible for the release
- Provide certainty to purchasers by offering clear title, extinguishing prior liens, and cutting off other claims.



## **A MI Land Bank Authority Can Not:**

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- Assist or expend any fund for, or related to, development of a casino.
- Levy any tax or special assessment.
- Exercise the powers of eminent domain or condemnation.



# Financing a Land Bank

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## **Brownfield Tax Incremental Revenues**

Property exempt from the specific tax because it is in a Brownfield Plan will generate TIR that can be captured by the BRA and distributed to the Authority to pay for the costs of quiet title and addressing the brown condition of the property.



# Financing A Land Bank Authority

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- Specific Taxes- an eligible tax reverted property specific tax may be imposed on property conveyed by the Authority for 5 years. It is an annual tax equal to the property tax that would otherwise be collected. 50% goes to the taxing jurisdictions. 50% goes to the LB Authority and can be used to repay bonds or notes issued to finance the Authority.



# Financing a Land Bank

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- Government funds may be appropriated or advanced for Authority operation.
- Gifts, grants, labor, and loans.
- Bonds and notes can be issued. They can be supported by the limited full faith and credit pledge of the governing body OR, if voter approved, by unlimited full faith and credit pledge of the governing body.
- Sale Proceeds



# Genesee Land Bank Program

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- Taken title to more than 2,500 parcels.
- Approximately 990 family homes saved from foreclosure through County Treasurer program.
- Demolished 231 dilapidated houses since February, 2003.
- More than 100 vacant “side lots” conveyed to neighbors.



# Genesee Land Bank Program

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- Rehabilitating 37 houses for new owner-occupied housing.
- Hundreds of empty lots assembled for city development projects and local non-profit and neighborhood organizations.
- Using proceeds from tax foreclosure, the County has contracts with nonprofits to maintain vacant lots.

# Ingham County's Land Bank

## Brief History

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- **December 04** - Co Treasurer & Commissioners decide the Treasurer will be the Foreclosing Governmental Unit (FGU).
- **March-April 05**: Tech Assistance awarded. The Treasurer's office, the Economic Development Coordinator, and some city of Lansing staff attended an informational conference on Land Banks.
- **May/June 05**: Technical assistance staff from LISC & Genesee Institute began visits collecting area information area. Co staff provides info on existing tax reverted properties.
- **July-August 05**: Focus group meetings w/ Co stakeholders
- **July 05**: Following formal notice and public hearing requirements, Commissioners adopted a resolution to allow the FGU to enter into a contract with the State Land Bank Fast Track Authority
- **August 05**: Intergovernmental Agreement to create Land Bank Fast Track Authority to State Authority approval.
- **September-October 05**: Commissioners appoint Board members

# Ingham County's Land Bank

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## **Who runs the Land Bank?**

- 5 Board of Director members appointed by the County Commissioners in October.

## **How many Ingham County Properties will the Land Bank program handle?**

- About 50 properties a year on average. The past tax year included 2 years work of foreclosures and 146 properties were foreclosed on.

## **Where in the County are these properties?**

- A full 133 (90%) of the properties foreclosed on were in the City of Lansing.

# Ingham County's Land Bank

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## **Are there people living on these foreclosed properties?**

- Of the 133 foreclosed properties, 111 (83%) were vacant and 22 (16%) had structures on them.

## **How do properties get into the land bank?**

- 06 Properties that are foreclosed on for failure to pay taxes
- Properties taken by the State may be turned over to the County.
- The County can purchase properties before the State scavenger auction. But, most are a poor investment at this time.
- We hope to allow donations in lieu of delinquent taxes.

# What is the Role of the MSUE?

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- Facilitator
- Educator
- Grant writer



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# Questions, Ideas, Suggestions?

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