

U.S. Department of Housing and Urban Development
Office of Block Grant Assistance



Neighborhood Stabilization Program

2008 FORMULA GRANTS

Module 7: Land Banking and Demolition

Module 7 Contents

1. Land Banks defined under NSP
2. National Trends
3. Establishing a Land Bank
4. Managing a Land Bank
5. Demolition



Recap of NSP Eligible Uses

- (A) Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties
- (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed, in order to sell, rent, or redevelop
- (C) Establish land banks for homes that have been foreclosed upon*
- (D) Demolish blighted structures*
- (E) Redevelop demolished or vacant properties

*focus of this module





Land Banks Defined Under NSP

Land Banks Defined

- Governmental and nongovernmental nonprofit entity
- Can acquire foreclosed residential property
- Could be administered by grantee or nonprofit partner
- Must have a defined service area
- Interim use vs. end use



NSP Eligible Use/CDBG Eligible Activity

- NSP eligible use
 - (C) Establish and operate land banks for homes and residential properties that have been foreclosed upon
- CDBG eligible activities
 - Acquisition 24 CFR 570.201(a)
 - Disposition 24 CFR 570.201(b)
- Uniqueness under NSP vs. CDBG
 - Not eligible under CDBG

National Objectives

- NSP allows the use of **only** the low- and moderate-income national objective
 - “Moderate-income” = <120% of area median income
 - Referred to as “middle income”
- LMMH
- LMMA – applicable to land banks prior to final disposition
 - Other requirements
- LMMC

Important Timeframes

- Initial obligation—18 months
- Expenditure of NSP funds—4 years
- Disposition (end use)—10 years
 - What is reasonable?
- Grantees should also consider time necessary to properly establish a land bank
 - More on this later...

Land Bank vs. Community Land Trust

Key Differences	Land Bank (NSP)	Community Land Trust
1. Organization	<ul style="list-style-type: none"> • Governmental or nongovernmental nonprofit 	<ul style="list-style-type: none"> • Independent nonprofit corporation chartered in the state
2. Primary Function/ Purpose	<ul style="list-style-type: none"> • Temporarily manage and dispose of foreclosed upon properties 	<ul style="list-style-type: none"> • Hold title to land to preserve its long-term availability for community use
3. Roles/ Responsibility	<ul style="list-style-type: none"> • Return property to productive reuse 	<ul style="list-style-type: none"> • Expand land holdings and increase supply of affordable housing
4. Governance	<ul style="list-style-type: none"> • Enabling legislation • Intergovernmental agreement • Program authorized by State statute 	<ul style="list-style-type: none"> • 2/3 of board nominated by community (classic model) • Open, place-based membership



Land Banking, in Context

- In conjunction with other neighborhood improvement efforts
 - Neighborhood Revitalization Strategy Area (NRSA)
 - Local strategy area
 - Empowerment zones



National Trends

The Range of Structures, Powers, and Activities of Land Banks	Atlanta	Cleveland	Genesee	Louisville	St. Louis
Governance: <ul style="list-style-type: none"> •Separate board of directors •Independent staff •Shared staff with other departments •Authority to make decisions •Intergovernmental agreement 	X X X X	X	X X	X X	X
Funding: <ul style="list-style-type: none"> •Funding from operations •Funding from local government •Funding from future tax revenues 	X	X	X X	X X	X X
Sources of Properties: <ul style="list-style-type: none"> •Acquires all tax-foreclosed properties •Limited acquisition at tax foreclosures •Transfers from nonprofits •Market purchases •Any types of properties •Unimproved land only 	X X X	X X	X X X	X X	X X
Disposition Pricing: <ul style="list-style-type: none"> •Transfers at fair market rate •Set by the land bank authority 	X	X	X	X	X
Disposition priorities: <ul style="list-style-type: none"> •Holds significant property inventory •Emphasis on immediate transfers •Affordable housing •Side-lot programs 	X X X	X X X	X X X		X X



Bridge Notice

- Purpose: To apply certain changes from the Recovery Act to NSP1 and to make changes for the program to operate more smoothly.
- Clarifications:
 - Add foreclosed “residential properties” to “foreclosed homes” as eligible for land banks
 - Add “operate” to “establish” land banks
 - Reduce purchase discount percentage
- Stay tuned...





Establishing a Land Bank

Establishing a Land Bank Overview

- Let's discuss...
 - Setup
 - Legal structure
 - Organization Structure
 - Key Functions
 - Targeting properties
 - Relocation issues
 - But first, a case study example:
 - **Genesee County, Michigan**
 - <http://www.hud.gov/offices/cpd/about/conplan/foreclosure/landbanks.cfm>
 - **Cleveland, Ohio**
 - <http://www.hud.gov/offices/cpd/about/conplan/foreclosure/pdf/bplbopsbest.pdf>

Legal Structure

- Local enabling legislation is often required
 - Varies from jurisdiction to jurisdiction
 - Independent public legal entities or programmatic
- Must consider...
 - Statutes
 - Local ordinances
 - Intergovernmental agreements backed by state legislation
 - Streamlining tax foreclosure procedures, etc.

Organizational Structure

- Governmental or nongovernmental nonprofit entity
- Independent staff or staffed by other state/city agencies
 - Code of ethics governs staff
- Governing Board—can be private citizens or employees of a local government
- Land banks occupy roles in public sector but often support private sector

Key Functions

- Acquire foreclosed properties
- Manage and maintain properties
- Demolish properties
- Market and rent properties
- Facilitate redevelopment/ final disposition



Targeting Properties

- Real Estate Owned (REO) properties
 - Purchaser finds REO properties
 - NSP appraisal and purchase discounts apply to REO properties
- FHA properties are eligible
 - Management and Marketing (M&M) Contractors
 - <http://www.hud.gov/offices/hsg/sfh/reo/mm/mminfo.cfm>
- Bulk purchases
 - An environmental review is required for acquisition activities
 - Another environmental review is required for rehab/demolition and redevelopment activities

Relocation Issues

- NSP overrides URA just offer requirement and applies a purchase discount requirement
- Voluntary acquisitions are preferable
- Avoid setting up a land bank to acquire all properties in a given area—could trigger involuntary acquisition



One-for-One Replacement Waived

If residences are demolished in a land bank, provide HUD:

- # LMMI dwelling units expected to be demolished or converted
- # NSP affordable units expected to be produced
- # dwelling units expected to be for LI households (<50% AMI)





Management of the Land Bank

Managing a Land Bank Overview

- Let's discuss...
 - Eligible expenditures
 - Holding and management Issues
 - Reporting requirements
 - Disposition Issues
- Focus on strategic uses ...

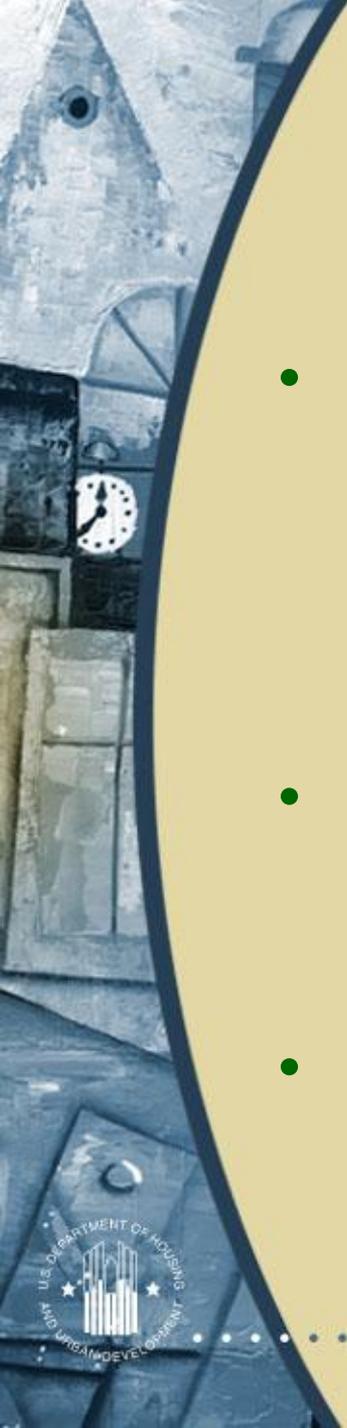


Eligible Expenditures

- Costs related to the following are eligible for land bank activities:
 - Acquisition
 - Maintenance
 - Property management
(including residential rentals)
 - Demolition—more on this later
 - Resale/closing costs

Holding and Management Issues

- May not hold properties for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements
- Land banks are responsible for all aspects of property management, maintenance and disposition
- May require jurisdictions to contract with private third parties for management and operations of banked properties



Reporting

- Quarterly performance reports
- Monthly reports on obligations and expenditures, including:
 - Project name
 - Activity
 - Location
 - National objective
 - Funds budgeted/expended
 - # housing units/properties
 - Beneficiary data



Disposition Issues

- NSP-eligible uses and CDBG-eligible activities
- Change of Use requirements
 - 24 CFR 570.489(j) apply
 - Ok if it meets national objective LMMA
 - Example—housing purchased demolished to develop a public facility or other non-residential uses





Demolition



Demolition Overview

- Let's discuss...
 - NSP Eligible Use (D)—demolish blighted structure
 - CDBG Eligible Activity 24 CFR 570.201
(d)-Clearance for blighted structures only
 - Demolition as an “interim use”
 - National objective
 - Deconstruction

Demolition Under NSP

- NSP Eligible Use (D)—demolish blighted structure
- Structure must meet local definition of “blighted”
- CDBG Eligible Activity 24 CFR 570.201(d)- Clearance for blighted structures only
- Viewed as an “interim use”
- National objective—End use determines whether national objective is met
- Once properties are demolished the eligible NSP use is redevelopment
 - Side lot programs



Deconstruction

- Deconstruction—disassembly of both the structural and non-structural building components and material salvage for reuse or recycling
- Incorporate **deconstruction** by first:
 1. characterizing the nature of the building stock
 2. assessing the market potential for salvaged building materials
 3. assessing the potential for workforce training
 4. discussing relationship between conventional demolition and deconstruction
 5. characterizing public- and private-sector roles
 6. describing scenarios for job creation and business opportunities
- Study prepared by NAHB Research Center
 - <http://www.huduser.org/Publications/PDF/deconstruct.pdf>
 - <http://www.huduser.org/periodicals/fieldworks/0801/fworks4.html>

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