Urban Land Institute Center for Leadership:
Leveraging the Land Bank Authority in Economic Recovery

May 4, 2011
Introductions

- Brian Binzer – City of Marietta
- Amy Blocker – Reznick Group
- Rukiya Eaddy – Atlanta Beltline, Inc
- Dennis Hertlein – Surber Barber Choate & Hertlein
- Matt Mason – Legacy Property Group
Agenda

Background

Research

Findings

Recommendations

Summary
Land Bank Authority

- **What is the Land Bank Authority (LBA)?**
  - governmental entity that converts vacant, abandoned, and tax-delinquent properties into productive use

- **How is the LBA established?**
  - a non-profit, 501(c)(3) tax exempt corporation
  - authorized by an Interlocal Cooperation Agreement between City of Atlanta and Fulton County

- **What are the LBA challenges?**
  - acquisition strategy
  - limited financial resources
Objectives

- Develop strategic plan/framework
- Identify a roadmap for acquisition of properties in target area
- Communicate the toolbox of best practices for land banking authorities around the country
The Process

- Identify
  - real estate challenge
  - appropriate client
- Baseline
  - m-TAP objectives / client agreement
- Target
  - review studies/plans of target area
  - identify strategic parcels
- Communicate
  - recommend land banking tools to be leveraged
Agenda

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Summary
Review of Reports

- 2010 English Avenue, Vine City and the Atlanta University Center Scoping Workshop Report by the Prince Foundation for the Built Environment
- 2010 Atlanta BeltLine Subarea 10 Master Plan
- 2006 Simpson Road Corridor Redevelopment Plan Update
- 2006 English Avenue Community Redevelopment Plan Update
- 1998 English Avenue Redevelopment Plan
# Stakeholder Interviews

<table>
<thead>
<tr>
<th>Stakeholders Interviewed</th>
<th>Key Themes</th>
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<tbody>
<tr>
<td>• Chris Norman, Land Bank Authority</td>
<td>• Numerous groups interested in assisting English Ave/Vine City</td>
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<tr>
<td>• Ivory Young, City Council</td>
<td>• Lack of broad coordination</td>
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<tr>
<td>• Michael Bond, City Council</td>
<td>• Left hand doesn’t know what the right hand is doing (i.e.. tax commissioner)</td>
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<td>• Eric Pinckney, Integral Group</td>
<td>• Economic downturn has created significant setbacks</td>
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<td>• Evelyn Nu'Man, Bureau of Housing</td>
<td>• Code violations are rampant</td>
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<td>• Kevin Bean, Code Compliance</td>
<td>• Investors have left the neighborhood</td>
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<td>• Gil Frank, Historic Westside Gardens</td>
<td>• Crime is rampant, but improving</td>
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<td>• Terri Lee, Dept of Planning</td>
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Geographic Review

- Why Vine City / English Avenue

Key Facts about English Avenue:

- Established in 1891, over 400 acres of rolling hills and pastures
- 1950’s-1960’s was a vibrant, livable community
- 1970’s / 1980’s / 1990’s people moved out, crime rates up
- 2000-2010 resulted in massive mortgage fraud
- Today area consists of vacant land, abandoned structures, and absentee landlords
- Population of about 3,300 and over 50% below poverty line
- Diverse ownership (1,697 tax parcels exist in neighborhood)
- 70% + of land is investors vs. primary residents
Agenda

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Summary
Key Parcels Identified

1. **New Park / Garden** - Corner Lot @ North Avenue / Sunset Avenue - Empty lot could be turned into green space (community garden / pocket park)

2. **Mixed-Use Development** - Industrial / Rail Corridor Land @ North Avenue between Elm Street and Walnut Street – vacant land with great views could be transformed into an urban infill /mixed-use project with park space

3. **Renaturalization @ Flood Prone Areas** - Low Point @ John Avenue between Sunset and Elm Streets – Empty lots, abandoned homes – (new and old) that could be assembled and reworked into a naturalized green space due to low lying flood prone nature of land

4. **Commercial / Community Node** - Important Intersection @ James P. Brawley Drive and Cameron Mitchell Alexander Blvd. formally vibrant area that could become a fresh catalytic restart for the neighborhood. Includes stone shell of a burned out church that could be reused to create a new community oriented space
REPURPOSING OF AN ABANDINED LOT FOR USE AS A NEIGHBORHOOD PAGCKET PARK OR COMMUNITY GARDEN
LARGER PARCELS OF LAND THAT COULD ACCOMODATE NEW URBAN INFILL MIXED-USE PROJECTS THAT CONTAIN HOUSING, RETAIL AND GREENSPACE.
FLOOD PRONE AREAS THAT ALLOW FOR NATURAL AMENITIES TO BE REINTRODUCED INTO THE NEIGHBORHOOD INSTEAD OF CONTINUING TO BUILD STRUCTURES THAT WILL HAVE PERSISTENT PROBLEMS.
REBIRTH OF THE FORMER HEART OF THE NEIGHBORHOOD THAT HAS BEEN TAKEN OVER BY DRUG TRAFFIC AND OTHER ILLEGAL ACTIVITIES. THIS COULD PROVIDE A CATALYTIC START FOR THE NEIGHBORHOOD’S FUTURE.
### Coordination with Other Initiatives

- Georgia Tech team created parcel survey detailing status of code violations, taxes, etc.

### Owner Information

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<th>Address</th>
<th>Name</th>
<th>City</th>
<th>State</th>
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### Commercial / Community Node

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<th>Address</th>
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<th>State</th>
<th>ZIP Code</th>
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</table>
Agenda

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Recommendations

Summary
Financial Toolbox

- **Acquisition Tools**
  - Acquisition via tax foreclosure
  - Acquiring foreclosed properties from lenders

- **Financing Tools**
  - Various lending programs

- **Development Tools**
  - Joint Venture with local developers
    - NMTC
    - LIHTC
    - HUD

- **Governmental Tools**
  - Westside TAD
  - Opportunity Zones
  - LCI implementation funding
  - Transfer of Development Rights
  - CDBG- utilize funds for demo

- **Operational Tools**
  - Sales
  - Asset management fees
  - Recapture property tax revenues after transfer of property

- **Foundation and Private Sector Support**
Financial Toolbox – Acquisition Tools

**Acquisition via Tax Foreclosure/Purchase Tax Liens on Properties:**

- Current foreclosure system of selling tax liens to private speculators often has a negative impact on the communities and rarely leads to reinvestment in the community. Vacant property held by speculators in struggling neighborhoods is often not properly taken care of and a contagious blight takes over the community.

- Land banks can be used as an alternative to the antiquated tax foreclosure system to giving communities an opportunity to repurpose abandoned properties in a manner consistent with their goals and needs.

- The land bank should be given a first right of refusal to purchase the tax liens on the properties or integrated into the tax foreclosure system in such a way as to enable them to help direct the usage of the property.

- The tax foreclosure process needs to be streamlined to reduce the time a property sits vacant before being foreclosed on.

- Land banks can demolish unsalvageable homes, create green space, restore buildings or hold for future use.

- A more careful approach to the disposition of tax-foreclosed properties ultimately increases the tax base over time.
Financial Toolbox – Acquisition Tools

Acquiring Foreclosed Properties from Lenders:

- Land banks can work with HUD, Fannie Mae, other lenders to purchase foreclosed properties at deeply discounted prices.
- Land banks can also work with the parties involved in foreclosure proceedings on voluntary conveyance or donations of properties.

Success Story:

- An Ohio land bank (Cuyahoga County Land Reutilization Corp.) acquired HUD foreclosures for as little as $100. In addition to the steep discounts, HUD awarded CCLRC $41MM through the Neighborhood Stabilization program (NSP) so it can acquire properties from other real estate companies as well. (www.housingwire.com/2010/07/02)
Enterprise Foundation Acquisition Financing:

- Provides financial assistance to nonprofit organizations or to partnerships that include significant nonprofit participation. There are no fees and some form of collateral will be required, although they can take a subordinate position in the financing. They can finance up to 90% loan to appraised value.
- Eligible projects include rental housing, homeownership housing, commercial projects, and many community facilities. Vacant land or properties needing substantial rehabilitation are difficult to finance through bank loans due to the lack of collateral for the loan. (Source: CNHED.ORG)

Federal Home Loan Bank Affordable Housing Program (AHP):

- Federal Home Loan Banks are privately-capitalized, cooperative, government-sponsored enterprises that support residential mortgage lending by their member-stockholders. Acquisition loans with subsidized interest rates for as long as 30 years are available through their Affordable Housing Program.

Federal Home Loan Bank Community Investment Program (CIP):

- Member institutions of the Federal Home Loan Bank of Atlanta can provide residential loans that are 5-35 basis points below normal rates for projects that serve households below 115% of median income. The loans can be structured with fixed or adjustable rates, and for periods of 1 month to 20 years with interest only or amortized payments. (Source: CNHED.ORG)
Financial Toolbox – Financing Tools

Institute for Community Economics (ICE) Revolving Loan Fund:

- ICE provides acquisition, construction, bridge, mini-perm, and permanent loans to community land trusts, limited-equity cooperatives and community-based nonprofit organizations creating housing that is permanently affordable to people with lower incomes. Loan proceeds are often used to finance land acquisition and the acquisition, construction and rehabilitation of housing.

Low Income Investment Fund Acquisition Loan or Line of Credit:

- Provides acquisition lines of credit of up to $400,000. These lines of credit are provided for a term of up to two years, with the ability to roll over the line for additional terms based on the borrower's performance. There is a 2% loan fee and the line must be secured by a first lien on the acquired property.

- Loan to value ratios can range from 80% to 95%. Acquisition loans are available in amounts up to $1,000,000 with a two-year term, 2% origination fee, and interest rate of approximately 7.5%. (Source: CNHED.ORG)
The Land Bank could develop or co-develop through joint ventures utilizing some of the following programs in conjunction with some of the financing opportunities above:

**New Market Tax Credits (NMTC):**

- Incentive program that can help with new commercial and employment related development in low-income/economically distressed communities.
- NMTC mission is to revitalize low income and otherwise distressed communities by providing investors with federal tax credit incentives to make capital investments into low-income communities.
- CDE (Community Development Entity) are allocated new market tax credits annually. Meeting with a local CDE such as Imagine Downtown (created by Central Atlanta Progress and Atlanta Development Authority) would be beneficial for the land bank to determine what deals would be done in the identified areas with the CDE.
Financial Toolbox – Development Tools

Low Income Housing Tax Credit (LIHTC):

- Incentive program focused on development of multifamily affordable housing for low income individuals.
- Structure is a partnership between the general partner (typically a developer related entity) and the limited partner (Equity provider). The partnership owns the apartment building which is financed with a mortgage and equity from the limited partner. A formalized equity market exists for these deals and there are syndicators who provide equity or direct placement options.
- The LIHTC is a tax credit allocated to the property that the limited partner receives in exchange for the equity provided to the deal. The tax credit leverages the deal so that gap between the development costs and the supportable mortgage based restricted rents can be filled by the equity from the limited partner.
Financial Toolbox – Development Tools

HUD Programs:

- **221(d)3 and 221(d)4 Multifamily Rental Housing for Moderate-Income Families**
  - Mortgage insurance to finance rental multifamily housing for new construction or substantially rehabilitated multifamily rental housing. (Note 221(d)3 is for nonprofit sponsor and 221(d)4 is for profit-motivated sponsors).
  - Allows for long term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

- **203(k) Rehabilitation Program**
  - Program can be used by owner-occupants, local governments and nonprofits. HUD, through the FHA, insures a mortgage that wraps the acquisition costs and rehabilitation cost into one loan for the purchase and rehabilitation of 1-4 units homes.
  - The program only requires a 3% down payment, gift funds can be used for the down payment, and for 2-4 unit properties a portion of the anticipated rental income can be used to help qualify for the mortgage. Contact a HUD-approved lender for more details on the program. (Source: CNHED.ORG)
TAD (Tax Allocation Districts):
- The City of Atlanta created the Westside TAD in 1998 and sold TAD bonds in 2008.
- A portion of these bond proceeds were set aside for neighborhood improvements. These TAD proceeds have been fully allocated to date but special public purpose projects supported by the Mayor can be funded through tax increment and LBA is eligible to apply.

Opportunity Zones:
- Opportunity Zones (OZ) are designated by the state to help areas that have 15% or greater poverty levels. Opportunity Zones allow businesses (new or existing) which create 2 or more new jobs to receive up to a $3,500 job tax credit per job for 5 years for each job created. Once designated, the OZ is in place 10 years.
- The City of Atlanta (COA) was recently designated for two Opportunity Zones, however not for this area. Encouraging COA to reapply to the state for this area would be beneficial, especially to two of the identified parcels.

Community Development Block Grants (CDBG):
- The City of Atlanta is an entitlement city and receives Community Development Block Grants from HUD annually. Under HUD rules, CDBG funds can be used for demolition of qualified slum and blighted properties. Funds can be used without the need to replace the tear-down units under certain guidelines.
Livable Communities Initiative (LCI) implementation funding:

- This area is within the adopted English Avenue Community Redevelopment Plan. The plan is an Atlanta Regional Commission sponsored Livable Centers Initiative (LCI) plan which allows for applications to receive competitive federal transportation funds for streetscapes, bike lanes, sidewalks, etc.

- Several projects are mentioned in the recommended transportation projects list that would impact some of the identified parcels in this project (Sunset, Brawley, English Ave., North).

Transfer of Development Rights:

- The City of Atlanta Zoning Ordinance allows in certain circumstances for development rights such as residential density to be transferred from one property in the city to another. The eligible receiving property is able to add the density from the other property onto its underlying density allowance-allowing for more residential units. The receiving property can receive this through a review process and being granted a limited-time special permit.

- The transaction of the rights usually happens between two property owners with an exchange of money. The LBA could be a middle broker between the owners of the sending and receiving properties by banking density credits and then selling those credits as the market demands.
Ability to generate revenue from Operations:

- Some states have the ability to recapture 50% of the property tax revenues for the first five years after transfer of the property to a private party
- Recapture % of property taxes for first five years for land held for nonprofits
- Sale of property owned by the land bank to third parties
- Asset management fees from maintaining banked land for nonprofits
- Land Banking – fee above and beyond holding costs
# Financial Toolbox Sample Implementation

<table>
<thead>
<tr>
<th></th>
<th><strong>Site 1 – Park/Garden</strong></th>
<th><strong>Site 2 – Mixed-Use</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Characteristics</strong></td>
<td>• Single Site; Vacant</td>
<td>• 13 Sites; Vacant Residential &amp; Warehouse</td>
</tr>
<tr>
<td></td>
<td>• Out of state owner</td>
<td>• Majority owner out of State;</td>
</tr>
<tr>
<td></td>
<td>• Value &gt;$20,000</td>
<td>• Value over $71 Million</td>
</tr>
<tr>
<td><strong>Acquisition &amp; Financing Tools</strong></td>
<td>• Direct purchase</td>
<td>• Possible acquisition role for land bank with smaller owners</td>
</tr>
<tr>
<td></td>
<td>• Check for delinquent property taxes/code violation</td>
<td>• AHP Loans or Enterprise Loans</td>
</tr>
<tr>
<td></td>
<td>opportunities</td>
<td>• Low Income Investment Fund Acquisition Loan or LOC or ICE Loan Funds</td>
</tr>
<tr>
<td></td>
<td>• Financing – limited opportunity due to non-income</td>
<td></td>
</tr>
<tr>
<td></td>
<td>producing use</td>
<td></td>
</tr>
<tr>
<td><strong>Development and Joint Ventures</strong></td>
<td>• Joint project with a community group</td>
<td>• Co-develop</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Utilize LIHTC; NMTC’s or HUD funds</td>
</tr>
<tr>
<td><strong>Governmental</strong></td>
<td>• Transfer of development rights</td>
<td>• CDBG Funds for demo</td>
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<tr>
<td></td>
<td></td>
<td>• Livable Community Initiatives for streetscapes, sidewalks, etc</td>
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<tr>
<td></td>
<td></td>
<td>• Opportunity Zone – job creation</td>
</tr>
</tbody>
</table>
### Financial Toolbox Sample Implementation

<table>
<thead>
<tr>
<th>Key Characteristics</th>
<th><strong>Site 3 – Green Space</strong></th>
<th><strong>Site 4 – Commercial</strong></th>
</tr>
</thead>
</table>
|                     | • 7 Residential Sites; 2 Occupied  
|                     | • Multiple Owners; (1 out of state)  
|                     | • Value over $340,000       | • 7 Sites – Residential & Retail  
|                     |                           | • Multiple Owners; (1 out of state)  
|                     |                           | • Value over $930,000          |
| Acquisition & Financing Tools | • Direct purchase of small sites  
|                     | • Check for delinquent property taxes/code violation opportunities  
|                     | • Financing – limited opportunity due to non-income producing use | • Possible acquisition role for land bank with smaller owners  
|                     |                           | • Enterprise Loans  
|                     |                           | • Low Income Investment Fund Acquisition Loan or LOC |
| Development and Joint Ventures | • Joint project with a community group  
|                     | • Relocation of 2 current families within community | • Co-develop  
|                     |                           | • Utilize NMTC’s |
| Governmental | • CDBG Funds for demo  
|                     | • Livable Community Initiatives for streetscapes, sidewalks, etc  
|                     | • Transfer of development rights | • CDBG Funds for demo  
|                     |                           | • Livable Community Initiatives for streetscapes, sidewalks, etc  
|                     |                           | • Opportunity Zone – Job creation |
Success Story - Genesee County, MI

- Genesee County Land Bank Authority has gone beyond the basics of land assembly and title clearance by:
  - Serving as a partner in redevelopment by providing new management or financial capacity for local nonprofit developers.
  - Acting as the developer on projects deemed to be a potential catalyst to private investment.
  - Utilizing its land assembly and financing tools to attract over $60M in new investments on previously forgotten land.

- Land Bank Development Projects have led to more than a dozen redevelopment projects adjacent to or near land bank-initiated development. Since inception in 2002:
  - Demolished over 1,300 properties
  - Removed thousands of tons of debris from empty lots
  - Redeveloped or repurposed over 2,500 properties

- Genesee County is currently a partner with a private developer in a $30MM redevelopment of the former hotel which previously sat empty for 37 years. It is being renovated into apartments and commercial space.

- Impact on Community: From “Restoring Prosperity” a study by the University of Michigan found that a $3.5 million investment by Genesee County’s land bank in demolition over a 3 years resulted in an increase in surrounding property values of more than $112.5 million
Key Recommendations

- Identify bank land where there’s catalytic progress/support for county/city/neighborhood strategic redevelopment goals
- Hold land until ripe for redevelopment (or until can be repurposed for public use)
- Look at specific areas that allow for:
  - Creation of green space (pocket or larger parks, community gardens, etc)
  - Future catalytic nodes of activity
  - Restoration of natural low points – flood prone areas
  - Conversion of former industrial land uses
- Eliminate problem buildings through demolition, clearing and cleanup
Key Recommendations

- Consider trades of existing inventory to reallocate activity to already working areas and to focus holdings.
- Continue to work collaboratively as the broker between organizations to leverage redevelopment efforts and achieve common goals for target area (Park Pride, Prince’s Foundation, ADA, neighborhood associations, etc.).

Issues to address:

- State legislative reform to allow LBA right to first refusal and the ability to borrow.
- Efforts to stop Fulton County’s counter productive practices re: the selling of tax liens to private sector w/out first looking to LBA.
- Code enforcement at delinquent properties, problem areas.
Agenda

Background

Research

Findings

Recommendations

Summary
Appendix