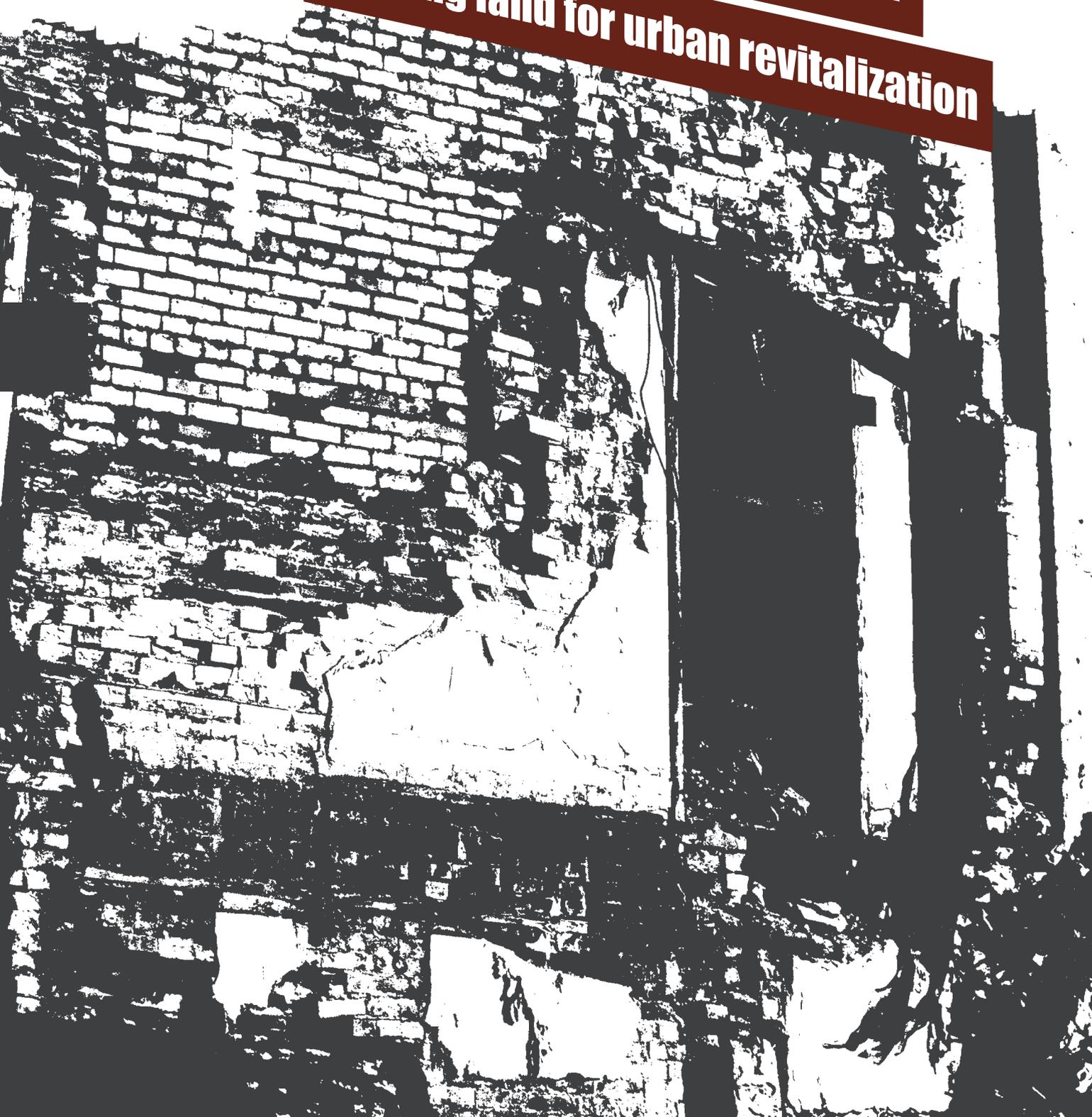


Brick by Brick

Banking land for urban revitalization





The urban Kansas City house has sat vacant for years. Broken furniture, moldy rugs and discarded clothes lie strewn about. The roof caved in long ago and now rain water pours in, turning everything into a soggy, smelly mess.

Amelia McIntyre, an assistant attorney for the city of Kansas City, Mo., surveys with disgust the broken glass and old tires littering the front yard. “These houses are collapsing,” she said. “And the cost of maintenance is falling on the Kansas City taxpayer.”

The cost is high. Officials say Kansas City pays \$1.8 million annually to maintain—and in some cases demolish—many of the estimated 14,000 vacant and abandoned properties distressing the city’s urban neighborhoods. That doesn’t count millions of dollars in lost tax revenue and costly service calls to police and firefighters.

Now the city hopes to gain a better handle on its derelict properties.

A growing trend

This year the Missouri Legislature approved efforts in Kansas City to start a land bank, a mechanism that provides an expedited

process for local governments to acquire vacant, abandoned and tax-foreclosed properties, and return them to productive use again.

Land banking is a growing trend. Dozens of cities and counties across the country have started land banks in the last decade to address urban blight. Kansas City, Kan., has one form of land bank that acquires vacant lots. Officials hope to expand its provisions to include abandoned houses.

Legislation is expected to be introduced in January in Nebraska to allow land banking in Omaha. The business community sees the effort as a way to spur development. In Denver, private and nonprofit groups are collaboratively using a form of land banking to assemble vacant property on which to, among other things, build affordable housing near rapid transit stops.

The driving force is the desire “to acquire and maintain properties that are not marketable” and that have become nagging liabilities for neighborhoods and communities, says Frank Alexander, the Sam Nunn Professor of Law at Emory University School of Law and a cofounder of the Center for Community Progress, which helps cities create land banks.

Alexander says the concept supports three outcomes: allow communities to acquire titles to distressed properties; eliminate liabilities, including tax liens and questions of ownership; and transfer the properties free and clear to new homeowners in a way that supports community and neighborhood revitalization efforts.

Alexander helped Kansas City officials prepare their land-banking proposal, and he is assisting the efforts to get a land bank in Omaha.

David Park, deputy director of Kansas City's Department of Neighborhoods and Housing Services, says the idea for a Kansas City land bank was sparked, in part, by a videoconference at the Kansas City Fed that featured successes in Flint, Mich., and Cleveland, Ohio.

"I thought, 'that's what we needed,'" Park said.

Since the 1940s, vacant and tax delinquent properties in the Kansas City metropolitan area have mostly ended up in the Jackson County Land Trust. But officials began to view the land trust as outdated. For one thing, property sold by the land trust has to fetch two-thirds of its assessed value. That may have worked in the 1940s, but after decades of urban blight, many vacant properties held by the trust have little value, so they can sit vacant and unused for years.

Further, there is little control over who buys land from the land trust. Before the foreclosure crisis, some speculators acquired land trust properties, betting their values would rise. When that didn't happen, the properties were abandoned and went right back into the land trust.

"It was a revolving door," Park said.

Worse, even though the land trust is charged with maintaining the properties, it lacks the money to do so. So the city assumed the task of caring for neglected and abandoned properties, mainly because citizens expect it to. But with the foreclosure crisis and the Great Recession, the cost to care for the properties has skyrocketed.

The number of abandoned and tax-

foreclosed properties ending up in the land trust nearly doubled starting in 2008—from about 2,000 to more than 3,700. Many are vacant lots, but they still have to be mowed. Most of them will now go into the land bank.

"We needed a land bank that would give the city more authority to receive, work with and sell properties that end up in the hands of home buyers," Park said.

Nonprofit models

Land banking is not necessarily a new concept. What's new is that governmental entities have found ways to refine their use to address large-scale urban decay.

But nonprofit organizations have also used land banking—in partnership with national housing institutions, foundations, cities and lenders—to assemble and hold land for development that addresses the needs of low- and moderate-income communities.

For example, in Denver, the Urban Land Conservancy, Enterprise Community Partners and the City of Denver have led efforts to establish the first leveraged fund to preserve affordable housing and community assets near rail stops on that city's growing rapid transit system. As sole borrower of the \$15 million Transit-Oriented Development Fund, the Conservancy is acquiring properties that will support more than 1,000 affordable housing units, including existing multi-family apartments, in current and future transit corridors.

The effort was in response to investors who began buying land destined to rise in value along proposed new routes. Seeing a potential risk to lower-income populations, the nonprofit groups, working with the city, began acquiring land "so that gentrification and dislocation of current residents could be avoided," said Christi Longsdorf, operations and communications director for the Urban Land Conservancy in Denver.

"If you wait five to 10 years, that opportunity is gone," she said.

The list of Transit-Oriented Development Fund investors is impressive. It includes the Conservancy, the City of Denver, Enterprise



PHOTO BY JASON DAILEY

DAVID PARK IS DEPUTY DIRECTOR of the Department of Neighborhoods and Housing Services in Kansas City, Mo., which is establishing a land bank.

Community Partners, the MacArthur Foundation, Colorado Housing and Finance Authority, the Rose Community Foundation, Mile High Community Loan Fund, First Bank, U.S. Bank and Wells Fargo.

Enterprise Community Partners is currently leading efforts to increase the Fund to become a regional \$30 million resource that will leverage more than \$500 million in economic development activity in the metro Denver region.

The Urban Land Conservancy has also used land banking to preserve land for schools, recreation centers, a new public library and centers where nonprofit organizations share expenses and collaborate for increased community impact.

Economic development also is the reason

for starting a land bank in Omaha.

Jamie Berglund, senior director for community development for the Greater Omaha Chamber, cited the potential for available urban land that can be acquired with clear title and that can be made shovel-ready for the development of small businesses.

“When a business makes an investment, they need some degree of certainty that it will not only be protected, but that it will grow,” Berglund said.

She says that “implementing a redevelopment tool like a land bank, which will work to bring under-utilized property back to life, can only serve to promote a positive and nurturing environment for a small business to thrive.”

An aide to State Sen. Heath Mello of

Omaha said the senator plans to introduce land bank legislation in the Nebraska Legislature in January. He said a study showed Omaha has as many as 13,000 vacant and abandoned properties.

“Omaha is the next kid on the block (when it comes to land banking),” Alexander said. “And it is learning from Kansas City.”

Kansas City, Kan., also is following the lead of its big sister city across the state line in Missouri.

Kansas City, Kan., has land banked vacant lots for more than a decade. But in recent years, the number of vacant houses has steadily increased.

Instead of “babysitting” more than 2,100 vacant lots, officials are seeking ways to include abandoned and tax-foreclosed houses, says Chris Slaughter, manager for the Wyandotte County Land Bank in Kansas City, Kan.

Slaughter says officials are now studying how they can take “properties that aren’t producing revenue and put them in the hands of groups that will be able to fix them up, sell them and get families in there.”

Refining the template

The template for most modern land banks stem from the work of officials in Genesee County, where Flint, Mich., is located, and Cuyahoga County, where Cleveland, Ohio, is located.

Both counties began using land banks between 2002 and 2007. Both cities had lost thousands of residents, leaving behind acres of contagious blight. Officials wanted to reclaim or demolish abandoned houses that pulled down neighborhood values, attracted crime and piled up millions of dollars in unpaid taxes.

But acquiring the properties was challenging. Tax-lien foreclosures can take three years or more. And serving code violations on owners, who had disappeared, died or who lived out-of-state, was even harder. Determining who owned title to many distressed properties was a nightmare.

“We realized that the properties were going into the system like a fire hose,” said Gus Frangos, president of the Cuyahoga County Land Revitalization Corporation. “There was massive abandonment in Cleveland. Whole neighborhoods turned into bombed-out areas.”

Officials needed a way to funnel unmarketable properties through a mechanism that allowed the county to gain ownership and repurpose the properties.

Frangos said the model Cuyahoga came up with, and on which Kansas City based a portion of its land bank, has three main engines.

First, he says a land bank should have a government purpose but without the bureaucracy inherent in government. It should be able to borrow, lend, sell and float bonds, but not have to run every sale through a city council or a county board.

Second, he says a land bank has to be able to intervene in the tax-lien foreclosure process ahead of speculators who buy up dozens of parcels and then sit on them, or sell them to

JULIE PORTER is executive director of Greater Kansas City LISC, which helped with the organization of the Kansas City land bank.



PHOTO BY JASON DAILEY

unsuspecting out-of-state investors.

Third, Frangos said, the land bank has to make money to sustain itself.

In Cleveland, officials can claim penalties and interest charged on back taxes, as well as make money off the sale of houses. Last year, the Cuyahoga County land bank made \$7 million from penalties and interest on back taxes and \$3 million selling property.

Still refining

Kansas City officials say their land bank is still a work in progress, noting that it lacks some of the more potent features of the Cuyahoga County land bank.

For instance, though officials are able to intervene sooner in the process, they can still find themselves bidding against speculators on the courthouse steps for some of the more valuable tax-delinquent properties. City officials do have one advantage, however: They don't have to fork out as much in cash to buy the property.

In addition, the Missouri Legislature limited the Kansas City land bank's power to acquire and hold land for major redevelopment projects, bowing to conservative groups that argued land banks run counter to a free market system.

Park and McIntyre are unperturbed, saying the city may decide to go back to the Legislature in an effort to refine the land bank's authority.

Julie Porter, executive director of Greater Kansas City LISC, a nonprofit intermediary that worked behind the scene to help develop the legislation and advocate for the land bank, said it is a good start.

"Many of these investor-owned, LLC (limited liability corporation) properties were abandoned and the taxes weren't paid," she said. "Now, it is very unclear who actually owns the property. Is it the bank, the investor, who?"

But once the city acquires the land and funnels it through the land bank, "there is a method to clean the title and make it more

likely it will sell to a home buyer."

In addition, Porter said, the land bank can sell bonds, so it can provide incentives to developers and encourage redevelopment. Also, the land bank can get 100 percent of the first three years of taxes on a property after it's sold.

"That is huge," Porter said. "There will come a day the land bank, because it is putting land back onto the tax rolls, is going to become self-sustaining."

Park isn't as optimistic that the land bank will sustain itself in the near future. Still, he said, "We are in as good as shape as any city, and better than others.

"Some cities have lost so much population they will never get it back. Kansas City still has population, reasonably good housing stock and an interest in urban living. So there is hope that we can repopulate these neighborhoods."

McIntyre cautions that the land bank is not a panacea that can cure all urban ills.

But she says it is a valuable catalyst for urban change along with other tools, such as code enforcement, eminent domain and the authority to go after decayed houses that pose a community danger, like the house with the caved-in roof.

"With a land bank, the city can be more proactive about getting properties into the hands of legitimate buyers and investors, and to return a home back to the community as a home that generates revenue," she said.



PAUL WENSKE, TEN CONTRIBUTING WRITER

FURTHER RESOURCES

"Low-Income Housing Tax Credit Developments and Neighborhood Property Conditions"

by Kelly Edmiston

www.KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.