Land banks

Overview
Land banks are public or non-profit organizations created to acquire, hold, manage and sometimes redevelop property in order to facilitate the deployment of these properties for community goals, including affordable housing.

Depending on the community and its needs, land banks can play a number of different roles related to affordable housing and community development, including: (a) providing a mechanism for assembling parcels of tax-delinquent and/or abandoned properties for redevelopment and (b) acquiring and holding strategically valuable properties until they are ready to be developed as affordable housing.

Land banks are most commonly established in communities where there is a significant inventory of tax-delinquent properties that the community wants to repurpose to support community goals. In high-cost cities, towns and counties however, where there are few tax delinquent properties, land banks can serve as a vehicle for holding land purchased strategically for future affordable housing development.

Approach
Land banks provide a mechanism for acquiring, holding, and distributing property in service of community goals, including affordable housing.

In communities with weak housing markets (or with a mix of strong and weak housing submarkets), land banks typically focus on acquiring bank and tax foreclosed properties which often sit vacant and abandoned. For various reasons, private market developers choose not to purchase these properties for development, leaving them untended in the community. Land banks can help return these properties to productive use.

Communities with stronger housing markets can use land banks as a mechanism for purchasing and holding land for future use as affordable housing. For example, a community can purchase land near planned transit stations and hold the land in a land bank until the property is ready to be developed as affordable or mixed-income housing as has been done by the Urban Land Conservancy in Denver. While cities and counties with strong housing demand typically have fewer problems with disinvestment and decline than other markets, this type of land bank can also provide a
mechanism to secure tax delinquent properties when such delinquencies occur, and hold these properties until they may be redeveloped as affordable or mixed-income housing or to meet other community needs.

Land banks can be government supported, quasi-governmental or independent non-profit organizations. Regardless of their structure, land banks can be used to acquire and hold strategically important properties until they can be developed as affordable housing. Property acquisition funds provide quick access to financing that makes it possible to secure available properties in a competitive marketplace. Once acquired, project sponsors may need time to assemble permanent financing—a process that can take months or years. Land banks can secure and maintain the property, helping to limit the developer’s holding costs until construction begins.

One of the main ways land banks acquire properties is through the foreclosure and auction process. Although the process differs in each state, if a property owner fails to pay their taxes, these properties may end up in the hands of the city or county. Municipalities sometimes auction off these properties or otherwise try to sell them. However, private market participants may not be interested in all properties and the community’s best interests may not necessarily be served by auctioning the properties off to the highest bidder, especially when properties would have more value as a public investment than they would if returned as cash to the community.

Land banks typically require state enabling legislation that grants special powers to overcome many of the legal and financial barriers that discourage private investment in these properties, including clearing title encumbrances, forgiving property taxes, and removing environmental contamination. In some states which have passed such laws, land banks have been given special “super-bid” powers to acquire and manage tax-delinquent property prior to them being auctioned off to ensure the community’s needs are met, such as the need for affordable housing, for open space, or for other desired uses. Land banks can also receive gifted properties or purchase properties from banks or other private market actors.

Once acquired, the land bank assesses and manages the properties it owns. This can include mowing the grass, developing detailed renovation plans, or conducting an environmental clean-up or renovation. Land banks rarely hold and manage properties over the long run, but may fix up properties before selling them. The land bank can also clear the title and any liens against the property so that it can be sold with a clean title to the next owner or assembled with adjacent properties it has acquired into a package appropriate for a larger development, which may make the property more attractive to developers.
Local governments are often directly involved with land banks that operate in their area, with local government officials often serving on the land bank’s board. In some places, land banks receive funding from or share staff with local governments as well. In states that have not passed enabling legislation to give land banks greater power to acquire properties, local governments can advocate for the passage of these laws.

**Eligibility**

Properties that enter a land bank can be residential or commercial. Depending on the land bank’s jurisdiction the properties can be located in urban, rural or sub-urban areas within a small or large geographic area. Tax-delinquent properties that enter a land bank typically have been vacant or abandoned, often for months or years. Communities can also use land banks to purchase strategically important properties through an acquisition fund or other process until they are ready to be developed as affordable housing. Such properties may or may not be vacant or abandoned.

While land banks can hold properties, typically, they seek to sell the properties to new owners. Land banks sell to developers, management companies, as well as individuals and families. The land bank has discretion to establish criteria for eligible buyers and uses, including prioritizing nonprofit and mission-oriented developers who include affordable housing units in their proposals and agree to conditions that guide how the property will be developed.

Buyer requirements differ based on community needs and the condition of the property. Some land banks prioritize certain buyers, for example the Cuyahoga County land bank sells properties to recent college graduates at a 20% discount through their BRAIN program. Other land banks place income restrictions on the households who purchase or rent the properties it sells. Such requirements are commonly enforced through deed restrictions. In other cases, properties are sold at market rate without restrictions. Some land banks require detailed rehab to be done within a certain time after the owner purchases the property, for example within one year. The land bank determines any eligibility restrictions based on the unique needs of the community and with input from citizen and government officials who govern the organization.

**Examples**

- The Urban Land Conservancy (ULC) is a non-profit organization in Denver that manages a land bank to benefit low income communities in the city. ULC purchases strategically important properties, including those near planned transit development. The organization has also developed some of the properties as affordable housing and community facilities.
- Philadelphia’s land bank was created in 2013 in order to help repurpose vacant
buildings and land for community needs. The land bank’s 2017 strategic plan emphasizes using the land for affordable housing. The land bank set a goal of dedicating 63% of the buildings it acquires to housing and mixed-use development, only 25% of which would be for non-income restricted development. The land bank also aims to repurpose vacant parcels for side yards and community gardens.

- The Cuyahoga County Land Bank acquires foreclosed and abandoned homes in the Cleveland area. The properties are either sold to an owner to redevelop or redeveloped and sold by the land bank. The land bank has special discount programs to encourage Veterans and recent college graduates to purchase their homes.

**Related resources**

- The Center for Community Progress provides technical support and resources to land banks nationwide. Their website includes a map showing more than 170 land banks. They also assembled articles, case studies and resources into a tool kit for those interested in developing a land bank.
- This HUD report broadly defines land banks, outlines the elements that are critical for successful land banks and also discusses potential sources of income for land banks. Another HUD report describes how many communities have created land banks to ameliorate the negative effects of foreclosures and what barriers and solutions these communities face in order to successfully implement land banks.