

LAND BANKING

The growing inventory of tax-foreclosed properties in economically distressed urban areas is reducing tax revenues, placing additional strains on the delivery of public services, and destabilizing neighborhoods. An increasing number of state and local governments are authorizing the creation of land banks to take ownership of and manage these properties in the long-term interest of the communities affected. A land bank is a governmental or nonprofit authority created to acquire, maintain, and stabilize vacant, abandoned, and tax-delinquent properties while working with other entities to promote the productive reuse of the properties. Land banks in several states are using EPA Brownfields grants and Targeted Brownfields Assessment funding to facilitate the use of abandoned properties.

The structure and function of land banks vary widely because they are created under enabling state legislation and enacted by local ordinances. The essential function of a land bank is the ability to streamline tax foreclosure proceedings and clear title to property that reverted to public ownership. This function allows communities to plan for the reuse of properties that previously were difficult to acquire and redevelop, and to protect neighborhoods from the blight and decline often associated with tax-foreclosed properties.

Land banks generally are provided the authority to acquire a large number of properties, over 10,000 in some cases. Some properties are potentially contaminated. Even residential properties can be contaminated with hazardous substances such as lead-based paint, asbestos, and pesticides. These properties need to be assessed and contamination needs to be cleaned up before the property can be reused to the benefit of the community. Although local governments that acquire properties involuntarily (for ex-

NEW ENVIRONMENTAL SOLUTIONS

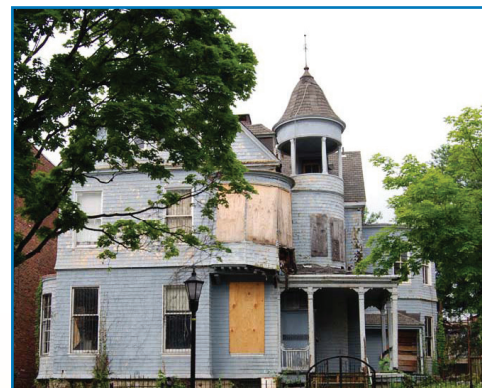
EPA's land revitalization initiatives are producing significant environmental benefits and helping to transform communities into more sustainable and livable places. The strategy of encouraging market-driven redevelopment of brownfields and other contaminated sites for economic reuse is proving to be a successful approach at many sites. However, challenging real estate markets and economic realities can leave some formerly contaminated properties unused, possibly for a long time. New approaches are needed to revitalize these sites and protect human health and the environment.

EPA's Land Revitalization Team is working with communities, states, other federal agencies, academic institutions, nonprofit organizations, and the private sector to develop and test new approaches that recognize valuable reuse alternatives for formerly contaminated properties. Building green infrastructure to help manage stormwater runoff and floods, promoting safe soil management to support urban agriculture, and siting renewable energy on contaminated sites can bring environmental, ecological, and social benefits to communities. Unlocking the potential value of these underused properties often requires creativity and close collaboration with many public and private partners. These projects can help stabilize communities and spur economic development.

ample, through tax foreclosure) are not liable for prior contamination, liability concerns may arise if land banks are not created as entities of a local government. EPA is working with these new entities to clarify potential liability issues and promote the use of land banks to support community revitalization.

While land banks historically acquired properties through tax foreclosures, the passage of the Housing and Economic Recovery Act (HERA) in 2008 provides funds to state and local governments to acquire mortgage-foreclosed properties. HERA created the Neighborhood Stabilization Program (NSP) within the U.S. Department of Housing and Urban Development (HUD) to provide emergency assistance to communities hardest hit by home abandonment. Under the NSP, a home is considered abandoned once mortgage or tax foreclosure proceedings are initiated and the property is vacant for 90 days or longer.

State and local governments can use NSP funding to establish land banks, if enabled by state legislation. The land banks can use NSP funding to acquire abandoned homes and then rehabilitate and rent or sell the home. Dilapidated homes that pose safety hazards can be demolished. All activities funded by NSP must benefit low- and moderate-income persons.



An abandoned home in Baltimore, MD

GENESEE COUNTY LAND BANK AUTHORITY

The Genesee County Land Bank in Michigan is widely regarded as a national model for land banks. The program encourages the reuse of more than 4,000 residential, commercial, and industrial properties acquired through the tax foreclosure process.

Flint and other communities in Genesee County have struggled with population decline and property abandonment for decades. About a third of Flint's properties are now vacant lots or abandoned houses. Under Michigan's former tax foreclosure laws, local governments could not take control of tax-delinquent properties. Instead, properties unsold at auction became state-owned after

a foreclosure process that could last seven years.

The state passed legislation to allow counties in Michigan to foreclose and take title to tax-delinquent properties much more quickly. Counties can use revenue generated from the sale of foreclosed properties to manage their inventory of properties. Michigan also enacted a law allowing counties to create land banks. The law allows counties to adopt a brownfield redevelopment plan for tax-foreclosed properties, thereby facilitating the use of tax-increment financing to pay for upfront cleanup, demolition, and title clearance.

Under these authorities, Genesee County created the Genesee County Land Bank

Authority (GCLBA). Neighborhood revitalization, homeownership, and increasing housing opportunities for low-income families are GCLBA's top priorities. GCLBA finances its operations through its sales and rental programs, collection of delinquent property taxes on transferred properties (for five years), and tax-increment financing for cleanup and demolition. The GCLBA received almost \$3 million in grants from EPA to assess, clean up, and plan for the reuse of contaminated properties. Genesee County also received over \$10 million in NSP funding from HUD to acquire and plan for the reuse of mortgage-foreclosed properties.

CUYAHOGA COUNTY LAND REVITALIZATION CORPORATION

Cuyahoga County, Ohio, is home to over 35,000 vacant homes due to tax and mortgage foreclosures. The abandonment and decay of these homes is severely affecting home values and destabilizing county neighborhoods.

To fight this crisis, in 2009, Ohio passed a law allowing the formation of nonprofit county land reutilization corporations (land banks) to facilitate the rehabilitation and reuse of vacant, abandoned, and tax-foreclosed property. The Cuyahoga County Land Reutilization Corporation (CCLRC) is the first such land bank established in Ohio. The CCLRC works with cities, other units of government, lenders, and property owners to acquire troubled properties and return them to productive reuse.

The CCLRC acquires tax- or mortgage-foreclosed properties held by government agencies, banks, and government-sponsored enterprises such as Fannie Mae. Properties with

structures that have reuse potential are rehabilitated and sold. Structures that are unsafe or cannot be rehabilitated are demolished. The resulting vacant land can be used for approved development projects or become part of community-wide planning for future reuse. Beyond new housing, retail, or commercial projects, this newly available land can be used to create public greenspace and for urban agriculture, stormwater management, and other innovative and ecological reuses. The county partners with its cities on all property reuse decisions.

Among CCLRC's accomplishments is an agreement negotiated with Fannie Mae to stop selling low-value properties to speculators. Instead, low-value distressed properties are transferred to CCLRC for \$1 and Fannie Mae contributes \$3,500 to the land bank for each property.

The CCLRC's primary source of funding is from penalties and interest on

property taxes and assessments that are not paid when due. CCLRC also generates revenue through the resale of acquired properties and through grants from foundations and government programs. CCLRC and its partners received nearly \$41 million in NSP funds to demolish blighted homes and renovate others in 20 county neighborhoods. CCLRC also received a \$400,000 EPA grant to assess contaminated sites for environmental risks and potential redevelopment.



Former auto dealership in Berea, OH, acquired by CCLRC with NSP funding

MORE INFORMATION:

Visit EPA's Land Revitalization program website at <http://www.epa.gov/landrevitalization/>
HUD's Neighborhood Stabilization Program website: <http://hud.gov/nsp>

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