

# Land Banks and “Land Aid” in Pennsylvania

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## John Kromer

Affiliated with Penn's Fels Institute of Government since 2001.

Philadelphia Housing Director during Mayor Rendell's administration.



Completed many consulting projects for Housing Alliance of Pennsylvania.

Now assisting land bank planning in Erie, Reading, and Altoona.

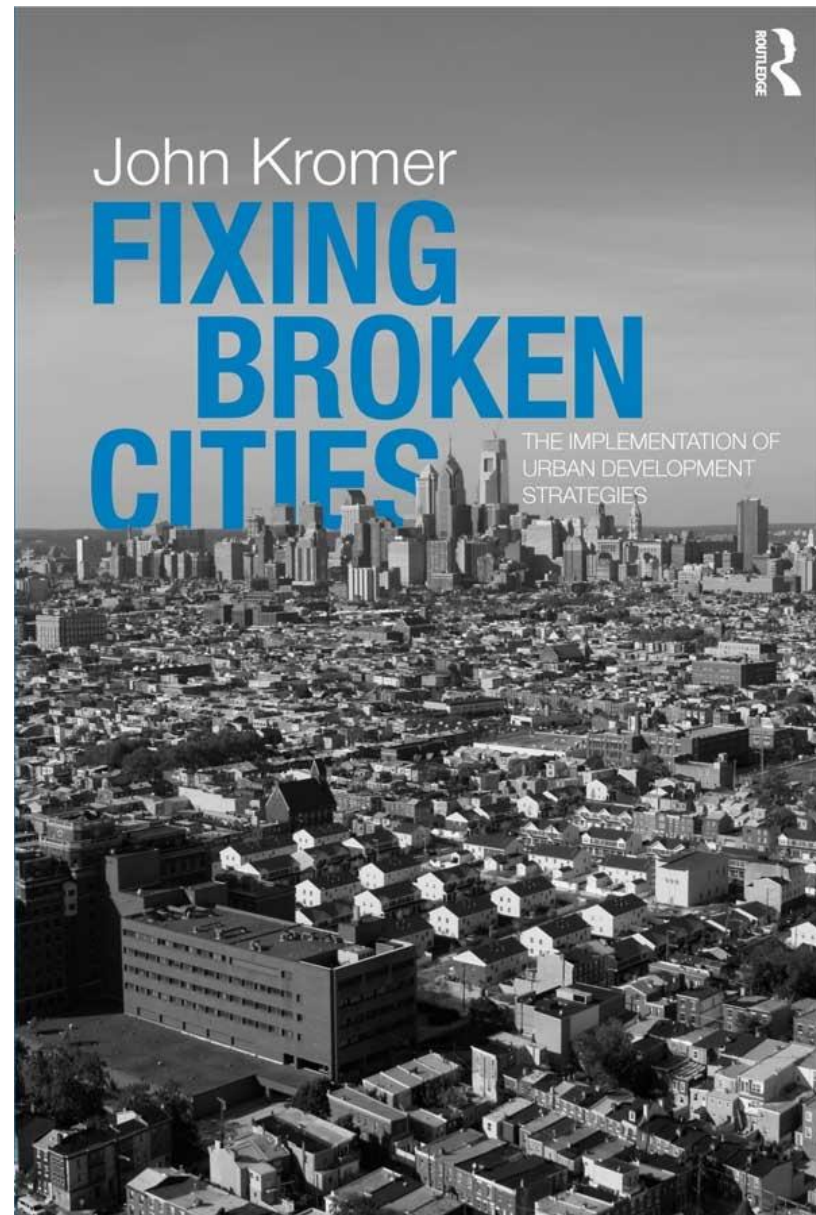


Wrote housing and economic development elements of the Act 47 recovery plans for Reading and Altoona.

Currently assisting City of Reading in implementing recommended initiatives.



*Fixing Broken Cities* is about initiatives designed to achieve transformative change in disinvested urban downtowns and neighborhoods, based largely on firsthand experience in Philadelphia, Camden, and Allentown.



# Why Land Banks Are Important

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# Enabling Legislation

Pennsylvania's land bank enabling legislation in 2012 authorized, for the first time, the creation of public entities organized to:

*“Confront the problems caused by vacant, abandoned and tax-delinquent properties through the creation of new tools to enable municipalities to turn vacant, abandoned and tax-delinquent spaces into vibrant places”* on a municipal, county, or multi-municipal scale.

# Need to Focus on Blight

The founding documents of most municipalities and counties don't identify a single department or agency that is charged with addressing the problem of blighted, neglected properties.

Why not? Probably because the charters of most of these governmental jurisdictions were drafted at a time when Pennsylvania was undergoing expansion—particularly in urban areas.

Economic disinvestment and property abandonment were not big issues then—but they are now.



# Policy/Planning Center

In the absence of a single entity in charge of addressing the problem of blighted properties, multiple departments—Code Enforcement, Community Development, Law, Revenue, and others—have each owned a piece of the problem, without any one of them specifically charged with solving it.

Ideally, a land bank would serve as a center of planning and program coordination to support a unified response to this problem without disrupting existing departmental roles and responsibilities.

# Area-Wide Scale

The legislation is also a recognition of the need to respond to blight on a citywide or countywide scale as it emerges, rather than limiting efforts to areas targeted for development programs.

Prior to 2000, few major cities and counties had undertaken planning and program development associated with blighted and vacant properties on a jurisdiction-wide basis.

# Land Bank vs. Redevelopment Authority

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# Many powers are described in the land bank legislation—but which are unique?

- Hire staff
- Enter into contracts
- Borrow money
- Issue bonds
- Obtain loan guarantees
- Obtain insurance
- Make investments
- Acquire real estate
- Develop real estate
- Rent real estate
- Sell real estate
- Grant licenses and easements
- Enter into partnerships
- Discharge liens, subject to taxing authority approval
- Share revenue associated with developed properties, subject to taxing authority approval
- Convey real estate without a redevelopment agreement
- Acquire property listed for judicial tax sale through direct purchase
- File bulk quiet title petition
- Obtain quiet title judgment within 120 days

# Frequently Asked Questions

Doesn't our redevelopment authority already do these things?

What's the point of creating a new government entity?

What can a land bank do that we can't already do?

# If we deleted powers of existing development agencies...

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...the list of unique powers would be short.

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# Recommended Approach

Focus on opportunities to make use of new powers, rather than on the creation of a new public agency.

# Recommended Approach

Consider appointing members of existing development agency boards to also become members of the land bank board.

# Recommended Approach

Land bank board = 5 to 11 members

One land bank board member must be a resident of the land bank jurisdiction, not a public official/municipal employee, and a member of a recognized civic association within the jurisdiction.



# Land Banks in Pennsylvania

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# Land banks in other states have received federal funding awards.

**OHIO HOUSING FINANCE AGENCY News Release**  
Friday, February 28, 2014

## **OHFA AWARDS 11 COUNTIES A PORTION OF \$49.5 MILLION TO TACKLE BLIGHTED COMMUNITIES**

COLUMBUS – The Ohio Housing Finance Agency (OHFA) today announced the recipients of a program designed to help prevent foreclosures and stabilize local property values through the demolition of vacant and blighted homes across the state. **Eleven counties with established land banks were awarded a portion of more than \$49.5 million** available through the first funding round of the Neighborhood Initiative Program (NIP).

# Eligible Uses: Acquisition, Demolition, Maintenance, and Greening

Cuyahoga County Land Reutilization Corporation – \$10,118,750

Lucas County Land Reutilization Corporation – \$6,000,000

Central Ohio Community Improvement Corporation – \$5,825,000

Montgomery County Land Reutilization Corporation – \$5,055,000

# Settlements with lenders have funded some land banks in other states.

Albany Business Review Morning Edition  
Albany regional 'land banks' awarded \$7 million to demolish or restore vacant homes  
Oct 16, 2014, 6:47am EDT

Five municipalities in the Albany region are receiving more than \$7 million from the New York state attorney general's office to demolish or restore vacant and abandoned properties through their local "land bank."

The city of Schenectady, Schenectady County, Albany County, Troy and Amsterdam were awarded the funding from the office of Attorney General Eric Schneiderman.

# Our Funding Problem

Pennsylvania land banks don't have access to comparable funding.

The Pennsylvania enabling legislation wasn't accompanied by an appropriation of funds.

So, in some important respects, land bank models in Michigan, Ohio, and New York can't be replicated in Pennsylvania.

But, as we design our own approach, we can benefit from experience elsewhere in other ways.

# Current Status of Land Banks in Pennsylvania

Two county-jurisdiction land banks are up and running: Dauphin County (excluding Harrisburg) and Westmoreland County.

Ordinances have been approved for three municipal-jurisdiction land banks: Harrisburg, Philadelphia, and Pittsburgh.

Ordinances have been approved for one “consortium” (multi-municipal) land bank: Pittston-Duryea-Jenkins.

# Areas of Specialization

With no major funding available for large-scale acquisition, demolition, and development activities, Pennsylvania land bank organizers have been focusing on four areas of specialization:

1. Asset management
2. Blight elimination
3. Real estate development
4. Tax sale transactions

## Asset Management

Philadelphia's *Proposed Land Bank Strategic Plan* (published in October 2014) calls for the city's land bank to consolidate publicly-owned vacant properties under land bank ownership.

	Acquisition			Disposition
	Interagency Transfer	Tax Foreclosure	Total	Total
2015	4,500	100	<b>4,600</b>	<b>350</b>
2016	3,500	500	<b>4,000</b>	<b>550</b>
2017		1,000	<b>1,000</b>	<b>1,100</b>
2018		1,500	<b>1,500</b>	<b>1,600</b>
2019		2,000	<b>2,000</b>	<b>2,250</b>



## Blight Elimination

The Westmoreland County Land Bank acquired the vacant 6.7-acre Monsour Medical Center property.

The land bank plans to demolish buildings and redevelop the cleared site.



## Real Estate Development

The Dauphin County Land Bank Authority assists smaller municipalities in demolishing and/or developing problem properties.

The authority is acquiring four burnt-out properties in Susquehanna Township and plans to develop five houses on the site.



# Tax Sale Transactions

Tax sales can offer good opportunities for Pennsylvania land banks to scale up operations and add significant added value to a local or regional investment strategy.

In most counties, the tax sale is the biggest marketplace for sales transactions involving neglected properties.

Knowledgeable investors have profited through participation in this marketplace—and land banks can too.

# Tax Sale Trends and Land Bank Opportunities

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# Tax Sale Trends

Tax sale trends in many counties have followed a similar pattern during recent years, as participation in these sales has grown.

Data for Berks County tax sale properties located in the City of Reading illustrate the most significant of these trends.

## Reading/ Berks County Tax Sale Trends

### *Increased competition*

Winning bids for between 72% and 78% of Reading properties sold at the five most recent tax sale auctions were higher than the minimum opening bid amount (judicial bid price) set by the county

Sale Date	Number of Listings	Properties Sold			
		Total Number Sold	Number Sold at Judicial Bid Price	Number Sold at > Judicial Bid Price	Percent Sold at > Judicial Bid Price
July 2011	53	30	17	13	43%
December 2011	29	19	9	10	53%
June 2012	133	84	23	61	73%
December 2012	83	45	10	35	78%
June 2013	115	115	15	83	72%
December 2013	47	21	5	16	76%

## *Higher winning bid amounts*

The median winning bid amount for Reading properties sold at these auctions increased from sale to sale, from about \$1,000 to nearly \$5,000.

Sale Date	Median Winning Bid Amount	Sale-to-Sale Increase or Decrease in Winning Bid Amount
July 2011	\$1,032	
December 2011	\$1,200	16%
June 2012	\$3,500	75%
December 2012	\$3,100	48%
June 2013	\$4,000	29%
December 2013	\$1,900	(52%)
June 2014	\$4,900	22%

## *Bargains for winning bidders*

Despite increased competition at recent tax sales, winning bidders continue to obtain properties at bargain prices.

Total winning bids in most recent years amounted to only 15% to 26% of the total assessed value of the properties sold.

Sale Date	Total Assessed Value/ All Sold Properties	Total Winning Bid Amount/ All Sold Properties	Total Winning Bid Amount as % of Assessed Value
July 2011	\$797,600	\$118,120	15%
December 2011	\$413,700	\$81,100	20%
June 2012	\$2,529,000	\$359,600	14%
December 2012	\$1,070,500	\$239,050	22%
June 2013	\$2,319,400	\$467,300	20%
December 2013	\$534,000	\$136,950	26%
June 2014	\$1,831,400	\$387,200	21%



## *Unsold Properties*

And despite growing interest in tax sale properties located in Reading, a substantial number of these properties did not receive any bids.

No bids were received for about a quarter to a half of all Reading properties that were advertised for the past seven sales.

Sale Date	No. Properties Listed	Properties Not Sold	
		Number	Percent
July, 2011	53	23	43%
December, 2011	29	10	34%
June, 2012	133	49	37%
December 2012	83	38	46%
June 2013	115	32	28%
December 2013	47	26	55%
June 2014	98	28	29%

## *Highest-Value Properties*

In nearly every tax sale, a small number of properties attract substantially higher bids, based on location and property condition.

<b>June 2014 Tax Sale</b>	<b>Address</b>	<b>Winning Bid Amount</b>
	1155 North 11 <sup>th</sup> Street	\$23,000
	653 Lancaster Avenue	\$19,000
	1143 North 9 <sup>th</sup> Street	\$18,500
	1627 North 10 <sup>th</sup> Street	\$17,000
	341 Linden Street	\$14,000

# Tax Sale Opportunity #1

Through the land bank, acquire properties at low cost (based on prior agreement with county tax claim bureau) and convey them to capable developers that have been prequalified in advance.

## Our City Reading

In the June 2014 Judicial Tax Sale, Our City Reading (OCR), a nonprofit developer, acquired six properties by offering the highest bids at the auction.

Address
441 Miltimore Street
455 Militimore Street
341 Linden Street
742 North 13 <sup>th</sup> Street
1143 North 9 <sup>th</sup> Street
1536 Perkiomen Avenue

The Judicial Bid Price (opening bid amount) for each of these properties was \$1,000.

Address	Judicial Bid Price
441 Miltimore Street	\$1,000
455 Militimore Street	\$1,000
341 Linden Street	\$1,000
742 North 13 <sup>th</sup> Street	\$1,000
1143 North 9 <sup>th</sup> Street	\$1,000
1536 Perkiomen Avenue	\$1,000
<b>Total</b>	<b>\$6,000</b>

OCR had to compete against other bidders in order to acquire four of these properties.

Address	Judicial Bid Price	Winning Bid Amount
441 Miltimore Street	\$1,000	\$1,000
455 Militimore Street	\$1,000	\$1,000
341 Linden Street	\$1,000	\$14,000
742 North 13 <sup>th</sup> Street	\$1,000	\$11,500
1143 North 9 <sup>th</sup> Street	\$1,000	\$18,500
1536 Perkiomen Avenue	\$1,000	\$14,000
<b>Total</b>	<b>\$6,000</b>	<b>\$60,000</b>

A land bank could have purchased these properties for \$6,000 (subject to prior agreement with the Tax Claim Bureau), then conveyed them to OCR.

Address	Judicial Bid Price	Land Bank Purchase Price
441 Miltimore Street	\$1,000	\$1,000
455 Militimore Street	\$1,000	\$1,000
341 Linden Street	\$1,000	\$1,000
742 North 13 <sup>th</sup> Street	\$1,000	\$1,000
1143 North 9 <sup>th</sup> Street	\$1,000	\$1,000
1536 Perkiomen Avenue	\$1,000	\$1,000
<b>Total</b>	<b>\$6,000</b>	<b>\$6,000</b>

After paying closing costs and satisfying tax liens (if needed), OCR could have used the net savings to finance property rehabilitation or additional acquisitions.

Acquisition/ competitive bidding	\$60,000
Acquisition/ land bank	\$6,000
<b>Savings</b>	<b>\$54,000</b>



# Tax Sale Opportunity #2

Buy and resell higher-value properties; use the net sales proceeds to capitalize an anti-blight strategy.

## Higher-Value Properties in Berks County

Properties located in stronger urban or suburban real estate markets attract the highest bids at judicial tax sales.

<b>June 2014 Tax Sale</b>	<b>Address</b>	<b>Winning Bid Amount</b>
	903 Maplewood Drive Amity Township	\$170,000
	194 Sheidy Road North Heidelberg Township	\$75,000
	106 Hartline Drive Exeter Township	\$73,000
	18 Trebor Place Wyomissing Borough	\$69,000
	212 Daniel Boone Road Exeter Township	\$42,000

A county land bank could:

- Buy some of these properties prior to the judicial tax sale
- Resell them at the tax sale auction
- Then use the sales proceeds to capitalize a Blight Fund (after paying settlement costs and any obligations to taxing authorities)

Address	Land Bank Purchase Price	Winning Bid Amount	Proceeds To Land Bank
903 Maplewood Drive Amity Township	\$1,000	\$170,000	\$169,000
194 Sheidy Road North Heidelberg Township	\$1,000	\$75,000	\$74,000
106 Hartline Drive Exeter Township	\$1,000	\$73,000	\$72,000
<b>Total</b>	<b>\$3,000</b>	<b>\$318,000</b>	<b>\$315,000</b>

# Two Recommended Short-Term Goals

1. Create developer qualification criteria, then encourage nonprofit and for-profit developers to get prequalified in order to become eligible to obtain tax sale properties through purchase from the land bank.
2. Test the buy/resell strategy by acquiring a small number of higher-value tax sale properties through the land bank and offering them for immediate resale.

# A Few Suggestions

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# Three-Legged Stool

As suggested by the Housing Alliance of Pennsylvania, think of the creation and operation of a land bank as one leg of a three-legged stool.

The other two legs:

- Property maintenance code enforcement
- A reinvestment strategy

# “Land Aid”

Advice from a western Pennsylvania county official:  
Because lots of people remember the foreclosure crisis, they may not welcome a plan for a new “bank.” So find a name other than “land bank”!

With or without a name change, it may be best to think of and talk about this new resource as “land aid”—as a set of new tools, rather than a new institution.

# Keep in Touch!

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