

HOUSING AFFORDABILITY STRATEGIES: LAND USE PRACTICES

Land Bank Authority

Until recently, red tape kept Michigan's tax-foreclosed properties off tax rolls for up to seven years. Homeowners and local governments were left at the mercy of the system. With homes abandoned and neglected after foreclosure, surrounding property values often declined, while communities lost years of tax revenue.

The state of Michigan has responded with legislation that allows counties to create land bank authorities. These authorities are designed to take ownership of and manage these tax-foreclosed properties more effectively, and allow counties to postpone foreclosure for homeowners facing financial

cleaned up, redeveloped, or simply held and maintained tax-free until it's ready for sale or development. And because they were created to deal with problems often associated with tax-foreclosed properties, they have a number of additional management tools available to them. Land bank authorities can:



hardship. The planning and financial tools available to a land bank offer significant potential for community development and reinvestment.

A land bank can take ownership of a property through the tax-foreclosure process, and can also buy land and buildings or receive donations of property. Once a property is held by a land bank, it can be sold, rented,

- Clear "dirty" titles in order to prepare properties for sale
- Qualify for brownfield status and funding
- Own homes, transfer or sell property, rent, prevent eviction, sell on land contract, demolish
- Partner or enter into contract with private, public, or nonprofit agencies for redevelopment

How Does It Work?

When a property defaults on its taxes, land banks often work aggressively with the property owner to prevent foreclosure. But if foreclosure prevention efforts aren't successful, and the property does go into foreclosure, certain procedures help determine whether or not the land bank should accept the property.

First, the tax-foreclosed property is offered to the State of Michigan. If the State chooses not to take ownership, the local jurisdiction in which the property is located may be asked determine whether the property should be removed from the tax rolls.

Then, based on its goals and priorities, the land bank authority decides to accept the property, or allows it to proceed to auction. If the land bank accepts the property, it's held until there's an appropriate party to take ownership. The land bank can then negotiate the sale or transfer of the property.

Once the property is sold, it becomes exempt from ad valorem property taxes. Instead, the property is subject to a tax called the Eligible Tax Reverted Property Specific tax, for five years. 50% of this tax goes to the land bank to administer its programs, and 50% goes to the taxing jurisdiction.

What's a Brownfield?

A brownfield is an abandoned, underused, or obsolete property known or suspected to be contaminated. These properties are eligible for grants and loans for certain environmental activities; and some redevelopment activities can be reimbursed by tax-increment financing. Brownfield incentives have successfully encouraged the redevelopment of blighted and contaminated properties throughout the state, and have proven to be a powerful economic development tool.



The Midtown development in Traverse City was built on a former contaminated industrial site

LAND BANK AUTHORITY In Practice

- **Genessee County** was the first jurisdiction to create a land bank authority in the state of Michigan. The land bank has been used extensively in the City of Flint in redeveloping or rehabilitating vacant or blighted homes. The land bank has also assisted in the redevelopment of commercial properties. The operations of the land bank authority are administered by the nonprofit Genessee Institute, which is also available to provide technical assistance to counties interested in creating a land bank in their own community.
- **Grand Traverse County** created a land bank authority in 2006. The mission of the land bank is to use tax-foreclosed properties, acquired properties, and other resources for affordable housing and economic development alternatives, in collaboration with community organizations and local government units.

- Retain proceeds from the sale or rental of property
- Collect a portion of a specific tax on property sold by the land bank
- Borrow money, issue bonds, accept grants, and invest in property

Land banks *cannot* exercise eminent domain, condemn property, levy special assessments or taxes, or assist in or finance the development of a casino.

Land banks are a fairly new community development tool, but have been successful in Michigan in furthering economic development goals, increasing affordable housing opportunities, and stabilizing

neighborhoods through a variety of programs—often in partnership with private, public, or nonprofit agencies. The planning and financial incentives available through land bank partnerships with these agencies can offer tremendous advantages in furthering community goals of economic growth, development, and stability.

More information about Michigan's land bank legislation is available online at: www.michigan.gov/landbank.

Housing Policy & Outreach in Antrim-Benzie-Grand Traverse-Kalkaska-Leelanau Counties

communityhousingchoices

Community Housing Choices is a New Designs for Growth program intended to further the housing policies of the *New Designs for Growth Guidebook*, and is administered by the Northwest Michigan Council of Governments (NWMCOG). The goal of Community Housing Choices is to ensure sufficient housing choices for the region's workforce, using education, collaboration, and advocacy to promote the adoption of land use and economic tools that will contribute to livable, vibrant communities. Community Housing Choices is designed to assist governments, nonprofits, developers, businesses, and citizens initiate proactive housing strategies in our communities.

This series of best practice resources serves as an extension of housing policies identified in the *New Designs for Growth Guidebook*. For more information on the *Guidebook*, please visit the website at www.newdesignsforgrowth.com, or call (231) 929-5000.

www.communityhousingchoices.org