CRA and HUD Neighborhood Stabilization Program
New Tools and Policies for Land Reclamation
PCRG Community Development Summit
May 25, 2011

Mary Helen Petrus, Outreach Manager and Senior Policy Advisor, Department of Community Development

The opinions expressed in this presentation are intended for informational purposes, and are not formal opinions of, nor binding on, the Federal Reserve Bank of Cleveland and the Board of Governors of the Federal Reserve system.
Amendments to the CRA Regulations

- Under NSP, HUD has provided funds to state and local governments and nonprofit organizations for the purchase and redevelopment of abandoned and foreclosed properties.

- New CRA rules support housing-related assistance to stabilize communities affected by high levels of foreclosure.
Amendments to CRA Regulations

- Final rule published by agencies in December 2010 revises the term “community development” to include loans, investments, and services that support, enable or facilitate projects or activities that:
  - Meet the “eligible uses” criteria in the Housing and Economic Recovery Act of 2008 (HERA); and
  - Are conducted in designated target areas indentified in NSP plans approved by HUD.
Amendments to the CRA Regulations

- CRA consideration of neighborhood stabilization activities for low-, moderate-, and middle income areas and individuals (if in areas of “greatest need”)

- CRA consideration of activities outside an institution’s assessment area, so long as the community development needs in an institution’s assessment area have been adequately addressed

- Time limited - favorable consideration available until no later than two years after the last date appropriated funds for the program are required to be spent by the grantees
Amendments to CRA Regulations - positives

• Expands opportunities to leverage federal resources and private capital for housing-related assistance to stabilize communities affected by high levels of foreclosures

• Provides platform for financial institutions to partner with State and local governments as well as non-profit organizations
NSP-eligible Activities

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft seconds, loan loss reserves, and shared equity loans for LMI homebuyers
- Purchase and rehabilitate abandoned/foreclosed homes to sell, rent or redevelop
- Establish and operate land banks for foreclosed homes and residential properties
- Demolish blighted structures
- Redevelop demolished or vacant properties.
Pennsylvania NSP Grantees (direct recipients)

- Allegheny County (NSP1)
- Allentown (NSP1)
- Chicanos Por La Causa (NSP2)
- Pennsylvania State (NSP1, 3)
- Philadelphia (NSP1, 2)
- Pittsburgh (NSP1)
- Reading (NSP2)
- Community Builders (NSP2)
- York County (NSP1)
Resources

- www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/arrafactsheet.cfm
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The Value of Modern Land Banking

PCRG Community Development Summit
May, 2011
Thomas J. Fitzpatrick IV
Economist, Community Development
Please, Don’t Blame My Employer

The views expressed here are those of the author, and do not necessarily reflect the views of the Federal Reserve Bank of Cleveland, the Board of Governors, or other banks in the Federal Reserve System.
Economists and Lawyers are Boring

“Your presentation was thought-provoking. I thought you’d never shut up. I thought I might die of boredom. I thought about smashing your projector with my shoe...”
Overview

1. The Modern Problem of Vacancy & Abandonment
2. A Brief History of Land Banking (and Passive Land Bank Limitations)
3. Active Land Bank Powers & Immunities
What is a Land Bank?

- Policy tool to address distressed housing
- Traditionally a government program or entity
- Ohio’s modern land banks are stand-alone nonprofit corporations, part government and part private
- Converts vacant, abandoned & tax-delinquent property to productive use
  - Acquisition & title clearing
  - Demolition & deconstruction
  - Rehabilitation
  - Development/redevelopment
The Modern Problem of V&A

Modern Vacancy & Abandonment in Weak Markets
The Modern Problem of V&A
Excess Housing Not Readily Absorbed

- Oversupply of housing
- Thousands of vacant and/or abandoned properties
- Population decline
- Building permits outpace household growth
- Foreclosures were problems before the ‘foreclosure crisis’
The Modern Problem of V&A
Costs of Vacancy & Abandonment

• Previous studies on foreclosure, neighborhoods & housing
  - Immergluck & Smith, 2006a
  - Immergluck & Smith, 2006b
  - Schuetz, Been, & Ellen 2008
  - Harding, Rosenblat, & Yao, 2009
  - Campbell, Giglio, & Pathak 2009
  - Hartley, 2010
  - Mikelbank, 2008

• A closer look at foreclosure, vacancy, & tax-delinquency
  - Preliminary
  - Looked at each separately & interacted
  - Looked at poverty and housing density
The Modern Problem of V&A Private Market Impediments

- Vacant & abandoned land is highly undesirable in private markets
  - Tax liens exceed property values
  - Toxic titles
  - Environmental testing or cleanup
  - Looting

- Some private market activity may aggravate the problem
  - Tax lien speculation
  - Unhealthy flipping extends vacancy
  - Mortgage fraud

- But private markets are critical to land bank success!
A Brief History of Land Banking
A Brief History of Land Banking
Why Passive Land Banks Were Created

- Municipalities can create Land Reutilization Programs (passive land banks)
  - Municipal programs, not separate entities
  - Designed to warehouse in perpetuity

- Created in the 70s to address widespread tax delinquency
  - Cleveland experienced significant population decline in the 1970s
  - 11,000 tax-delinquent parcels
  - Many property owners left the jurisdiction
A Brief History of Land Banking

Passive Land Bank Powers

- Original powers
  - Tax foreclosure *in rem*, not *in personam*
  - Can receive properties not purchased at two sheriff’s sales

- 1988 Legislation
  - Permitted tax abatement on properties held by land banks
  - Created a fund dedicated to finance tax-foreclosures (delinquent real property taxes & assessments)
  - Revised notice requirements for tax-foreclosure

- 2006 Legislation
  - Expedited some tax-foreclosure (Board of Revision hearings)
The Modern Problem of V&A Passive Land Bank Limitations

• Municipal program:
  - less independent and flexible
  - No regular, independent source of funding

• No dedicated staff

• Often unable to strategically address vacant and abandoned property in neighborhoods
  - Often unable to actively pursue specific property due to a lack of funding, control of the tax foreclosure process, or purchases by harmful speculators
Active Land Bank Powers & Immunities: When Passive Land Banking is Insufficient
Active Land Bank Powers & Immunities

Special Active Land Bank Powers

Special Powers Granted to LRCs

- **Stable revenue stream** from delinquent tax penalties & interest
- Regional coverage
- Purchase low cost data storage, office space, etc., from state or local governments
- Ability to initiate tax-foreclosure proceedings
- Automatic title cleaning upon transfer
- Can contract with municipalities for property maintenance
Active Land Bank Powers & Immunities
Private Sector Active Land Bank Powers

Traditional Non-Profit Corporate Powers

• Independent operation
• Acquire property through purchase, donation, etc.
• Fee-based maintenance of REO property
• Dispose of property through demolition, deconstruction, sale to responsible developers/homeowners
• Lease property to convert owners into renters
Active Versus Passive Land Banking
Active Land Bank Immunities

- Protection from state law liability under ORC § 5722.22
  - Underground storage tank laws
  - Air pollution control laws
  - Solid & hazardous waste & substances laws
  - OH EPA laws & regulations
  - Voluntary action plans, emergency planning, & cessation of regulated operations
  - Water pollution & water conservancy laws
  - Common-law causes of action:
    - McLaurin v. City of Cleveland, 1994 WL 50657 (Negligence)
Active Land Bank Powers & Immunities
Active Land Bank as Coordination Mechanism

• Allows numerous municipalities to cooperate
  - Independence
  - Information sharing, central repository
  - County-wide triage, demolition & programs
  - Board representation
  - Academic aid (NEO CANDO, academic studies)

• E.g. Cuyahoga County’s NSP 2 application
  - Land bank applied on behalf of itself, City, County & Cuyahoga Metropolitan Housing Authority
  - NSP funds awarded competitively, preference based on need, cooperative efforts
“Quick Guide”
New Tools to Address Blight and Abandonment

Pittsburgh Community Reinvestment Group
CD Summit – May 25, 2011
New Tools and Policies for Land Reclamation
Irene McLaughlin presenting
The Housing Alliance of PA
History of New Tools
Bi-Partisan Legislative Leadership
Blight as Common Denominator
USE OF THE QUICK GUIDE

- Handy Reference To Legislation Enacted Over The Past 15 Years That Is Overlooked Or Underused.
- Highlights of Policy Infrastructure For Reclaiming Blighted and Abandoned Property
- Some Caveats
Quick Guide Organization

New Tools We Have and those We Need organized by:

- Blight Prevention
- Acquisition
- Disposition
- Incentives

Jurisdictional Index
Crime of Municipal Housing Code Avoidance

- Makes multiple code convictions a misdemeanor criminal offense
- Initiated by Code Enforcement Official and Office of the District Attorney
- Shift from complaint driven to strategic Community Asset Management Approach
Municipal Code Compliance

- Makes owners who buy property with known code violations abate them within 18 months (structures), 12 months (lots)
- Requires inspection of property at purchase followed up by assessment inspection
- Moves to coordinated approach
- Requires tracking
Blighted and Abandoned Property Conservatorship Act

- Allows Court of Common Pleas to appoint a third party to take control of a blighted property when the owner has died or refuses to act.
- Can be initiated by the owner, lien holder, nonprofit, municipality, school district, resident or business owner within 500 feet of the blighted property.
Donation

- Allows an owner of tax delinquent property to donate property for tax forgiveness.
- Establishes a procedure to coordinate the three taxing bodies’ waiver of their tax claims.
- Municipality approaches taxing body
Redevelopment Authority Estate Administration

- Redevelopment Authorities may become a personal representative of a decedent’s estate.
- Initiated by Redevelopment Authority where the property is located.
- Applies to vacant properties
Waiver of Bids for CDCs

- Property that is owned by and in the name of a municipality may be sold to a non-profit CDC involved in affordable housing or commercial or industrial redevelopment without advertising or bidding.
- Applies in 3rd Class Cities, Boroughs, 1st and 2nd Class Townships.
NEW BLIGHT PREVENTION TOOLS

Neighborhood Blight Reclamtion and Revitalization Act

“The Blight Bill” Act 90
Went into effect April 25, 2011
PRIVATE ASSET ATTACHMENT

- Municipalities may collect on fines and costs imposed for code violations by filing judgments against any assets owned by a code violator, not just the property in violation.
PERMIT DENIAL

Allows municipalities to deny applications for municipal permits and approvals if:

• applicant is delinquent on taxes or other municipal charges, or
• applicant owns property that is in serious violation of codes and has taken no substantial action to bring the property into code compliance
NEW BLIGHT PREVENTION TOOLS

EXTRADITION OF OUT OF STATE OWNERS

- Authorizes extradition of out-of-state owners for prosecution of Municipal Housing Code Avoidance
New Tools We Need
Clear Title
(Residential Title Claims)

- Gives longtime residents the opportunity to take ownership of their homes when the record owners have abandoned the properties.
- Creates a special provision allowing residents to file a quiet title action after 10 years instead of the current 21 years.
ACQUISITION TOOLS WE NEED

1) Land Bank Authorization
2) Modernization of Tax Foreclosure Process to Support Local Land Recycling Effort and Finance Land Bank
NEW TOOLS WE NEED

RESOURCES

State Housing Trust
- Dedicated source of revenue to increase affordability of rental/owner occupied homes
- Need to invest in existing housing stock
- “Carrot” to go with code enforcement “Stick”

Sustained Public Investment in Communities
THANK YOU

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Local Tools for Land Reclamation

• Policies
• Programs
• Partnerships
<table>
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<tr>
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<th>Pittsburgh</th>
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<tbody>
<tr>
<td>Total Miles</td>
<td>55.42 sq mi</td>
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<tr>
<td>Total Neighborhoods</td>
<td>90 neighborhoods</td>
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<tr>
<td>Total Population</td>
<td>333,527</td>
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<tr>
<td>Population Loss over 50 Years</td>
<td>343,278 or 50 %</td>
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<tr>
<td>Median Sales Prices for Single Family Homes</td>
<td>$66,562</td>
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<tr>
<td>Percent of Homeownership</td>
<td>52%</td>
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<td>Approx. Total Taxable Parcels</td>
<td>126,732</td>
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<td>Amount of Tax Delinquency (total parcels ≥ 2 Years Tax Delinquent)</td>
<td>17,780 or 14 %</td>
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<tr>
<td>Abandonment (total parcels ≥ 5 Years Tax Delinquent)</td>
<td>8,690 or 6.8%</td>
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<tr>
<td>Foreclosures 2008</td>
<td>1,199 (0.7%)</td>
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<td>Vacancy (lots and structures)</td>
<td>25,000</td>
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Vacant Land Story

Defining the Problem

• It’s Everywhere
• 24-27,000 Vacant Properties
• It’s Expensive
• Jumbled Ownership

• Hard to Assemble Parcels
• Private vs. Public Ownership
Pittsburgh: Definition of the Problem

- Scale and effect of decline in certain neighborhoods and communities
- Cost to acquire, maintain and responsibly reuse
- Local community capacity
How to Address the Problem

• Land Acquisition
• City Programs
• Planning
• Evaluation / Mapping
Policies

- Property Reserve
- Disruptive Properties
- Rental Permitting
- Urban Agriculture / Zoning Code Changes
- Combined Delinquent Tax Collections
- NSP Target Areas
Programs

- Green Up / Redd Up
- Taking Care of Business
- servePGH – Love Your Block
- Condemnation Prioritization
- Tax Abatement Areas
- Side Yard Sales
- Garden Waivers
- Online Permitting - coming soon
Partnerships

Public Agencies

– Bureau of Building Inspection
– Department of Public Works
– Department of City Planning
– Bureau of Police
Partnerships

Nonprofit Organizations

– GTECH
– GROW Pittsburgh
– Rebuilding Together Pittsburgh
– RENEW Pittsburgh
Next Steps

• Land Recycling Task Force – Local Implementation

• City of Pittsburgh Comprehensive Plan