

TRI-COG COLLABORATIVE

Land Bank Business Plan

Executive Summary

Steel Valley Council of Governments
Turtle Creek Valley Council of Governments
Twin Rivers Council of Governments

JULY 2014

Acknowledgements

Tri-COG Collaborative

The Tri-COG Collaborative team would like to thank the Boards of Directors of the Steel Valley Council of Governments, Turtle Creek Valley Council of Governments, and the Twin Rivers Council of Governments who have supported, contributed to, and facilitated the blight study process which has culminated in this Business Plan. In addition, we would like to thank the many individuals and organizations who have participated in our blight study work and provided invaluable information and feedback.

Executive Directors and Staff

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Housing Alliance of Pennsylvania

The work on this project has been performed in collaboration with the Housing Alliance of Pennsylvania. Their staff and team of consultant partners have lead the movement of land banking and blight mitigation in the State of Pennsylvania -- including efforts to pass the legislation, craft best practices, and produce handbooks for local governments to combat blight.

For this project, Consultant Irene McLaughlin worked as an integral part of the team and is credited with developing all of the legal document templates for the Land Bank.

Housing Alliance Team

Elizabeth Hersh, Executive Director
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Data Support

The Tri-COG Collaborative would like to thank Allegheny County and the Pittsburgh Neighborhood Community Information Systems for providing much of the data that was used in our analysis to produce this plan.

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A new tool to fight blight

Our community is stronger when local leaders have the tools to spur growth and broaden the tax base. Municipalities, school districts and the county deserve the power to invest in services and improvements, rather than spend their limited revenue on the expensive side effects of blight.

Land banking is a newly available tool to reduce blight and encourage development. It redirects a small fraction of the resources that local governments are already spending to address the problem, and redeploys them in a way that saves money – all while maximizing local control of the process.

The cost of blight

It adds up for all of the 40 municipalities in the Tri-COG Collaborative (TCC). Our study on the effects of blight in our community found the cost in 2012, including the increased burden on services like police, fire, code enforcement and public works, is \$19.3 million annually. The indirect costs are even higher - an estimated loss in property value of 15% to 17%, between \$218 million and \$247 million. That means an annual cost of \$8.5 million to \$9.7 million in lost tax revenue for municipalities, school districts and the county.

Land banking is a promising answer

The Pennsylvania legislature, in 2012, made it possible for local municipalities to deploy a tool to help solve this issue in a more cost-effective, efficient way by allowing for the creation of land banks - separate legal entities that are public agencies with private organization characteristics, designed specifically to act in real estate markets to convert problematic properties to beneficial reuse.

Land banking gives communities more control over development

The TCC is committed to giving Allegheny County communities more power over the direction and speed of revitalization within their borders by pursuing the creation of a land bank. The TCC spent months consulting member municipalities and seeking their input. The TCC also carefully studied and analyzed existing land banks from around the country to develop best practices, identify revenue streams, and incorporate the lessons learned from others to create a detailed plan for the creation of the proposed TCC Land Bank.

The key is to return abandoned, vacant, tax-delinquent properties to productive use

The Land Bank Business Plan details how the TCC Land Bank will operate as an organization and the process through which properties can be repurposed. The Land Bank will redirect a fraction of the resources currently committed to simply keeping blighted properties in their current condition.

In the meantime, the land bank will maintain all properties it controls up to municipal and state codes.

Proposed organizational structure

The operations of the TCC Land Bank will be supported by two organizational pillars, a Board of Directors and a staff. Based on the requirements set forth in the state legislation and best practices from other land banks, this plan recommends a nine member Board of Directors comprised of stakeholders from the public and private sectors as well as specific experts.

- TCC recommends 2 members be selected by municipalities, 2 by school boards, 1 by the Allegheny County Executive, and 4 selected by the group based on their expertise and state-designed requirements.

Acquisition and disposition of property: communities drive the process

Municipalities who join the Land Bank may have differing acquisition priorities and acquisitions needs, so the TCC Land Bank will follow respective municipal plans and priorities. Just as there is no one priority for acquisition, there is also no single way the land bank will acquire properties. State law allows properties to enter the Land Bank via donation, direct purchase, estate administration, gift, or tax foreclosure. The TCC Land Bank will institute pricing policies to ensure appropriate payment for properties from prospective transferees, and different pricing options can be determined based on strategic disposition priorities.

The TCC Land Bank will actively consult with municipalities in the selection of properties to be acquired and shall, whenever possible, develop a mutually agreeable disposition plan. The Land Bank will also defer to municipal priorities and development needs before any acquisition or disposition action is finalized and will be subject to all applicable municipal zoning laws, land use controls and to the terms and conditions of any applicable Intergovernmental Cooperative Agreement (ICA).

There are several factors that may provoke the TCC Land Bank to try to acquire a property. The Land Bank may pursue properties for its own inventory, to hold for future use, to renovate and sell; or, with the intention of transferring it immediately to an interested party. In all cases, the TCC Land Bank will provide proper notice to land owners or their heirs and an opportunity for any taxing body that has jurisdiction over the proposed properties for acquisition to object to the sale.

Projected costs and revenue

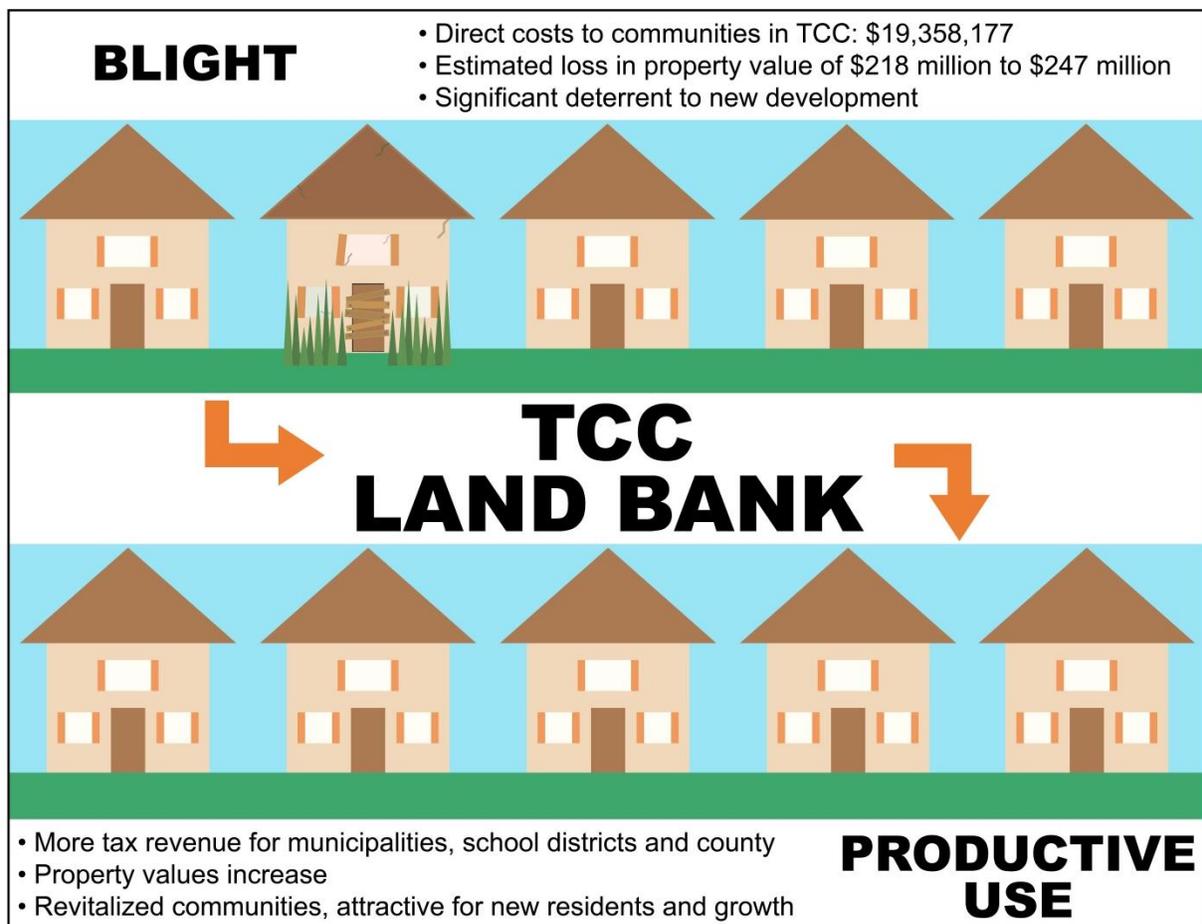
The total proposed operational cost for the entire Land Bank in the first year is \$536,000 - less than the annual cost of blight for a single average municipality in the Tri-COG Collaborative. The first year projected cost includes \$195,500 for acquisition and disposition activities; \$153,200 for property maintenance; and \$187,500 for administration, legal services and other organizational overhead.

In its first year, the land bank revenue stream will be comprised of an estimated \$228,000 in sales and \$14,700 from tax recapture. The TCC will seek an additional \$500,000 in grant and seed investment support. In order to establish a dependable revenue source the TCC Land Bank will request that the member municipalities, school districts and Allegheny County allocate a portion of their delinquent real estate tax collections to the land bank for an estimated total of \$200,000 combined. The land bank will be responsible for conducting audits and financial reporting under the same legal parameters as public organizations.

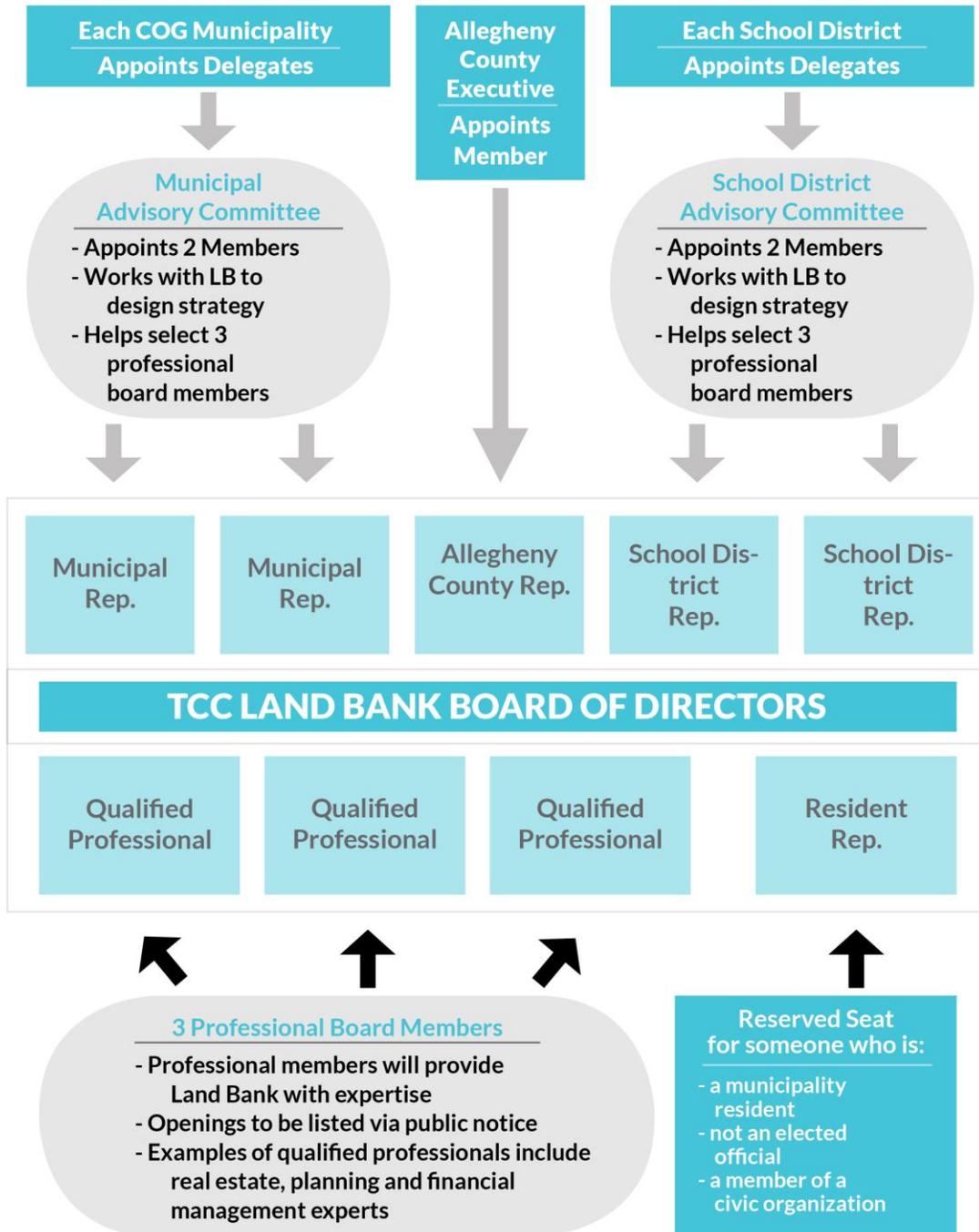
Next steps

Following the release of this plan, the TCC Land Bank will solicit feedback from municipalities, school districts and the county. After that process is complete, a Board of Directors will be assembled and efforts will then be focused on passing an ICA between member municipalities and school districts. In tandem, the TCC will cultivate strategic partnerships with the foundation community and potential invest

A Tri-COG Land Bank would move blighted, abandoned, tax delinquent properties back to productive use



The Proposed Land Bank Board of Directors maximizes local control of the process



Guiding Principles

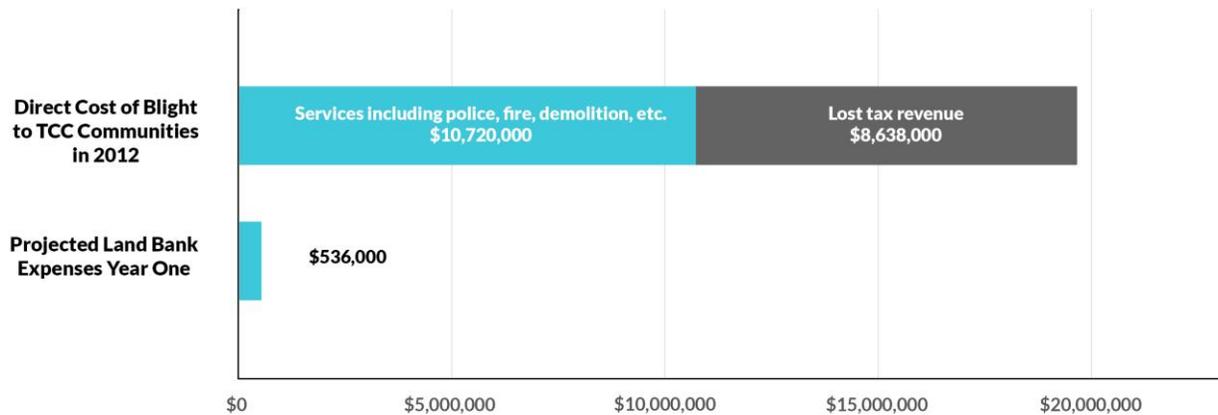
1. A mechanism for strategic blight mitigation Blight is pervasive, expensive, and has damaging effects on the economic and social fabric of communities. The central goal of the land bank is to mitigate blight and stimulate economic development by transferring properties that are vacant, abandoned, and tax delinquent back to productive use that benefits communities. Strategic acquisition and disposition decisions can be made to ensure the highest impact properties are pursued and placed into productive use and taxpaying status.
2. Effective scale is reached at a multi-municipal level The cost and negative impact of blight are not bound by geographic or political borders. A regional approach with coordinated commitment from various municipalities is needed in order for a land bank to be successful. This allows for a greater scale and diverse real estate portfolio which minimizes risk and increases opportunities for success. Using this collaborative approach, our land bank partners – which could include municipalities, school districts and Allegheny County – stand to benefit not only directly from development within their boundaries, but also indirectly from improvements in neighboring communities.
3. Commitment to Communities The TCC Land Bank will work in unison with community priorities and plans. In fact, Pennsylvania law says that the disposition of land out of the land bank is required to coordinate with any duly adopted community plans. The TCC Land Bank will also work alongside local community development corporations, community-minded groups and individuals to ensure the most desirable development outcomes are achieved.
4. Accountability The TCC Land Bank will be accountable to the municipalities and neighborhoods in which it operates. The TCC Land Bank will be the responsible party for maintaining the properties it owns up to municipal standards. The TCC Land Bank will be a quasi-public entity and will adhere to the same reporting standards and audits, making it a transparent and accountable organization.
5. Sustain financial and operating resources The TCC Land Bank must have mechanisms in place to sustain financial resources. Funding can come in various forms including sale of property, tax recapture, grants, loans, bonds, and fee revenue. Land banks can use these diverse funding streams to be self-sustaining and employ effective operations at a level currently unavailable to other public entities.
6. “One Stop Shop” The TCC Land Bank’s inventory will serve as a source for current residents, to-be homeowners, non-profits, investors and development agencies. Traditional tools to deal with vacant properties act as reactionary entities and are only triggered by those with capacity and financial resources to pursue the property. The TCC Land Bank will follow a community reinvestment business model: one that recognizes property potential at the onset and subsequently provides a platform for others to purchase. Properties for sale will be available to the public with a myriad of development opportunities, along with a clear title and a fresh start.
7. Nimble and Responsive Solutions to blight and strategies for economic development are not always cut and dry. Sometimes more creative approaches are needed, especially in communities where residential growth is not the primary solution. The TCC Land Bank will be responsive to new ideas and development opportunities. It will remain flexible to various municipal needs while fulfilling its ultimate mission of mitigating blight and bringing properties back to productive use.

Action Plan

Engage municipal leaders, taxing jurisdictions, municipal solicitors and stakeholders to obtain feedback on Proposed Business Plan COG staff to revise plan based on engagement feedback	July 14 th - December 31 st 2014
Finalize Intergovernmental Cooperation Agreement and Municipal Ordinance	November 2014
Municipalities that are interested in joining the Land Bank pass Ordinance and sign Intergovernmental Cooperation Agreement	December 2014
Taxing Jurisdictions interested in participating in the Land Bank sign Intergovernmental Cooperation Agreement	December 2014
Founding Board is selected	January 2015
The Land Bank applies for incorporation with the State of Pennsylvania	January 2015
Land Bank works alongside participating municipalities and taxing jurisdictions to identify potential properties for acquisition	January 2015- ongoing
Initial startup funds are secured	February 2015
Governing documents are approved including <ul style="list-style-type: none"> • By laws • Policies and Procedures 	March 2015
Land Bank approves acquisition of property	April 2015

The Cost of Blight Vs. the Cost of a Land Bank

A Land Bank redirects a small fraction of the resources that local governments are already spending to address blight, and redeploys them in a way that saves money – all while maximizing local control of the process.



Projected Land Bank Budget

The following budget is a revenue and expense projection of land bank activities inside Allegheny County and outside the City of Pittsburgh. It is based on extensive modeling done by the TCC and incorporated input from a variety of experts and attorneys with direct links to property acquisition in the region.

In an attempt to better understand the real estate landscape of the Mon Valley and eastern Allegheny County communities, a Market Analysis was conducted which placed the TCC's 98,577 households into three distinct "Market Types". Many of the revenue and expenses found throughout the budget are based on these Market Types and ultimately allowed the TCC to build a more accurate picture on how land banking may unfold throughout the study area.

This model assumes the Land Bank will have a stronger emphasis on the acquisition of properties with higher market types in its first years, with the emphasis shifting to lower market types as the organization progresses.

This budget should be interpreted simply as a projection of revenues and expenses a land bank may experience over a 6 year period. While extensive analysis has been put into the figures and calculations which underpin this model as well as the graph above, they are subject to change.

Projected Expenses	Year 1 - 2015	Year 2 - 2016	Year 3 - 2017	Year 4 - 2018	Year 5 - 2019	Year 6 - 2020
Projected Number of Parcels Acquired: Structures (Vacant Lots)	20 (10)	25 (15)	30 (20)	35 (25)	40 (30)	45 (35)
<i>Organizational Overhead</i>						
Administration ¹	\$160,000.00	\$160,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00
Legal Services	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Professional Services	\$10,000.00	\$10,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
IT ²	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
Office Supplies & Postage	\$2,500.00	\$3,000.00	\$3,500.00	\$4,000.00	\$4,000.00	\$4,000.00
Rent & Utilities ³	in-kind	tba	tba	tba	tba	tba
Subtotal:	\$187,500.00	\$188,000.00	\$223,500.00	\$224,000.00	\$224,000.00	\$224,000.00
<i>Acquisition</i>						
At Upset Sale ⁴	\$74,400.00	\$93,000.00	\$111,600.00	\$134,850.00	\$153,450.00	\$172,050.00
At Judicial Sale ⁵	\$22,600.00	\$28,250.00	\$33,900.00	\$33,900.00	\$39,550.00	\$45,200.00
Vacant Land ⁶	\$24,090.00	\$36,135.00	\$48,180.00	\$60,225.00	\$72,270.00	\$84,315.00
Servicing Bankruptcies ⁷	\$18,600.00	\$13,950.00	\$18,600.00	\$23,250.00	\$23,250.00	\$27,900.00
Deed Filing ⁸	\$4,500.00	\$6,000.00	\$7,500.00	\$9,000.00	\$10,500.00	\$12,000.00
Real Estate Transfer Tax ⁹	\$32,346.00	\$38,811.00	\$42,522.00	\$46,969.00	\$53,679.00	\$57,146.00
Subtotal:	\$176,536.00	\$216,146.00	\$262,302.00	\$308,194.00	\$352,699.00	\$398,611.00
<i>Operational</i>						
Property Maintenance ¹⁰	\$45,300.00	\$78,900.00	\$105,600.00	\$132,150.00	\$159,450.00	\$187,800.00
Property Insurance ¹¹	\$16,400.00	\$27,900.00	\$36,400.00	\$43,900.00	\$52,000.00	\$60,600.00
Land Bank In-House Renovations ¹²	\$70,000.00	\$140,000.00	\$190,000.00	\$220,000.00	\$270,000.00	\$310,000.00
Specification Lists for End-User Renovations ¹³	\$6,500.00	\$11,000.00	\$14,000.00	\$16,500.00	\$19,500.00	\$23,000.00
Demolitions ¹⁴	\$15,000.00	\$30,000.00	\$45,000.00	\$60,000.00	\$75,000.00	\$75,000.00
Subtotal:	\$153,200.00	\$287,800.00	\$391,000.00	\$472,550.00	\$575,950.00	\$656,400.00
<i>Disposition</i>						

Assessment Appeals ¹⁵	\$3,700.00	\$6,475.00	\$8,325.00	\$9,250.00	\$11,100.00	\$12,950.00
Appraisals ¹⁶	\$5,100.00	\$8,700.00	\$11,000.00	\$12,900.00	\$15,300.00	\$18,000.00
Real Estate Transfer Tax ¹⁷	\$6,297.00	\$10,638.00	\$12,681.00	\$14,347.00	\$15,588.00	\$18,373.00
Real Estate Agent Fee ¹⁸	\$3,929.00	\$8,505.00	\$10,594.00	\$12,683.00	\$13,329.00	\$16,215.00
Subtotal:	\$19,026.00	\$34,318.00	\$42,600.00	\$49,180.00	\$55,317.00	\$65,538.00
Total Expenses:	\$536,262.00	\$726,264.00	\$919,402.00	\$1,053,924.00	\$1,207,966.00	\$1,344,549.00
Projected Revenues	Year 1 (2015)	Year 2 (2016)	Year 3 (2017)	Year 4 (2018)	Year 5 (2019)	Year 6 (2020)
<i>Land Bank Activity</i>						
Sale of In-House Renovations ¹⁹	\$130,982.00	\$283,507.00	\$353,139.00	\$422,771.00	\$444,314.00	\$540,492.00
50% Tax Recapture From In-House ²⁰	\$3,148.00	\$6,813.00	\$8,486.00	\$10,159.00	\$10,676.00	\$12,988.00
Sale of End-User Renovations ²¹	\$93,000.00	\$153,000.00	\$177,000.00	\$198,000.00	\$219,000.00	\$255,000.00
50% Tax Recapture From End-User ²²	\$10,797.00	\$16,774.00	\$19,086.00	\$20,759.00	\$22,432.00	\$25,900.00
Sale of Vacant Land ²³	\$4,500.00	\$7,500.00	\$11,000.00	\$16,857.00	\$19,857.00	\$23,357.00
50% Tax Recapture From Vacant Land ²⁴	\$837.00	\$1,395.00	\$2,046.00	\$2,484.00	\$3,069.00	\$3,627.00
Tax Recapture From Prior Years ²⁵	-	\$14,782.00	\$39,764.00	\$69,382.00	\$102,784.00	\$124,179.00
Subtotal:	\$243,264.00	\$483,771.00	\$610,521.00	\$740,412.00	\$822,132.00	\$985,543.00
Grants ²⁶	\$500,000.00	\$500,000.00	\$500,000.00	\$-	\$-	\$-
Delinquent Real Estate Tax Allocation ²⁷	\$200,000.00	\$250,000.00	\$300,000.00	\$300,000.00	\$350,000.00	\$350,000.00
Balance From Year Prior ²⁸	-	\$407,002.00	\$914,509.00	\$1,405,628.00	\$1,392,116.00	\$1,356,282.00
Total Revenue:	\$943,264.00	\$1,640,773.00	\$2,325,030.00	\$2,446,040.00	\$2,564,248.00	\$2,691,825.00
Net Balance:	\$407,002.00	\$914,509.00	\$1,405,628.00	\$1,392,116.00	\$1,356,282.00	\$1,347,276.00

Footnotes from Land Bank Budget

- ¹ Administration –2.75 Full Time Employees in Years 1 and 2 then expanded to 3.75 Full Time Employees in Year 3 and 4 and again to 4.75 in Years 5 and 6
- ² IT – Includes the development and maintenance of a Land Bank website & a property inventory database plus the renewal of software packages including: Microsoft Word, Arc GIS, and Adobe Suit etc.
- ³ Rent and Utilities – Operational space will be shared between the three COGs. Depending on Land Bank’s growth a new location may be acquired, future location yet to be determined.
- ⁴ The aggregate court costs and typical attorney’s fees associated with acquiring a property at the first stage of Sheriff Sale. \$4,650 per property.
- ⁵ The aggregate court costs and typical attorney’s fees associated with acquiring a property at the second stage of Sheriff Sale. This option is taken when a property is burdened with private liens in addition to any preexisting public claims. \$5,650 per property
- ⁶ Assumes acquisition through Small Estate Administration. \$2,409 per parcel
- ⁷ Assumes defendant declares bankruptcy just prior to Upset Sale. \$4,650 per property
- ⁸ Paid to Allegheny County. \$150 per property.
- ⁹ The tax split among taxing bodies upon acquisition, calculated at a county wide average of 2%. (Combined acquisition expense of all properties) * .02
- ¹⁰ Expense associated with maintaining the Land Bank’s Inventory. Includes lawn care on all parcels, snow removal on properties with structures and the boarding of Type C properties. \$1,650 per Market Type A property; \$1,650 per Market Type B property; \$1,950 per Market Type C property; \$1,050 per Vacant Lot
- ¹¹ Expense associated with insuring the Land Bank’s Inventory. \$900 per Market Type A property; \$700 per Market Type B property; \$500 per Market Type C property; \$200 per Vacant Lot
- ¹² Expense associated with renovating a portion of the Land Bank’s Inventory. \$10,000 per Market Type A property; \$20,000 per Market Type B property; \$30,000 per Market Type C property
- ¹³ Expense associated with identifying all the necessary structural items which need to be resolved by the End-User. \$500 per property
- ¹⁴ Base \$10,000 with an additional \$5,000 for potential expenses incurred upon discovery of asbestos or other harmful substances during demolition. \$15,000 per property
- ¹⁵ Expense associated with appealing the assessment values of all newly acquired In-House Renovations. \$925 per property.
- ¹⁶ Expense associated with appraising all In-House and End-User Renovations. \$300 per property.
- ¹⁷ The tax split among taxing bodies when property is transferred, calculated at a county wide average of 2%. The tax upon disposition is shared equally between transferor and transferee.
- ¹⁸ Real Estate agent fee of 3% on all Land Bank’s In-House Renovations listed (Combined price of all In-House properties disposed) * .03
- ¹⁹ Revenue generated from the disposition of property renovated by the Land Bank. \$82,893 per Market Type A property; \$48,089 per Market Type B property; \$21,543 per Market Type C property
- ²⁰ Annual real estate taxes shared with the Land Bank. \$1,992 per Market Type A property ; \$1,156 per Market Type B property ; \$517 per Market Type C property
- ²¹ Sale of property renovated by the end-user. \$15,000 per Market Type A property; \$12,000 per Market Type B property; \$9,000 per Market Type C property
- ²² Same as “50% Tax Recapture from In-House Renovations”
- ²³ Properties sold at “Property Costs”: \$3,857 per Vacant Lot; Parcels sold at “Nominal Costs”: \$500 per Vacant Lot
- ²⁴ Annual real estate taxes shared with the Land Bank. \$92 per Vacant Lot
- ²⁵ Projected Grant Funds from Foundation Community
- ²⁶ Anticipated allocation from percentage of committed delinquent tax that has been collected