RBC REGULATORY BARRIERS CLEARINGHOUSE Breakthroughs

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Land Banks and Affordable Housing

You can hardly turn on the news today without hearing a report that the number of foreclosed properties continues to rise nationwide. In July 2008, 272,000 households received foreclosure filings; a 50 percent increase from the same month last year. Communities affected by foreclosures and housing abandonment are turning to land banking as both a tool for revitalization and as an opportunity to increase the affordable housing supply. This article will focus on three municipal land banking programs that, aided by state statutes, have been successful in utilizing tax-foreclosed properties to produce affordable housing.

What Are Land Banks?

Land banks are governmental or nonprofit entities that acquire, hold, and manage tax-delinquent or abandoned properties. Land bank entities have the authority to facilitate the resale of foreclosed properties or execute a redevelopment plan to mitigate the impacts that vacant properties have on communities by achieving long-term planning goals, such as fulfilling affordable housing provisions. However, lengthy state foreclosure processes and methods by which to obtain clear titles can impede the redevelopment of tax-delinquent properties. For this reason, states such as Michigan, Georgia, Texas, and Ohio have adopted enabling legislation authorizing local land banks to govern redevelopment procedures.

Genesee County Land Bank Program

Even before the current foreclosure crisis, the city of Flint, Michigan and other communities located in Genesee County struggled with high population losses and increasing vacancy rates. To promote the redevelopment of vacant and abandoned properties, Michigan adopted the Land Bank Fast Track Legislation in 2004. Considered the most progressive land bank legislation in the country, it enables the creation of city and county land bank authorities with the power to assemble, sell, or redevelop large numbers of abandoned properties with greater ease. State legislation also exempts properties sold by land bank authorities from property taxes for a period of five years. Taking advantage of the new legislation, Genesee County established the Genesee County Land Bank Authority (GCLBA) to acquire and redevelop abandoned tax-delinquent properties in keeping with the county's long-term vision for the community.

Funded with back taxes and fines generated from tax-delinquent property owners, GCLBA also utilizes tax increment financing to pay for cleanup and demolition of abandoned properties. Along with various programs designed to prevent foreclosure, promote homeownership, and increase housing opportunities for low-income families, the land bank renovates 25 to 50 abandoned and dilapidated houses annually, and sells or rents them to qualified tenants with an option to own. Since its inception, the land bank has helped build and renovate 200 single-family homes and loft apartments, and continues to develop single-family and multifamily residential units.

Dallas Urban Land Bank Demonstration Program

Enabled by the 2003 Texas Urban Land Bank Demonstration Act, which allows a local government to develop a land bank program and sell tax-foreclosed properties for use in affordable housing development, the city of Dallas created the Urban Land Bank Demonstration Program to acquire vacant and developable land for the production of affordable single-family housing. Properties owing six years in back taxes, with the total amount of taxes and liens greater than the value of the property, are eligible for the program. Tax-foreclosed properties are purchased using general and bond funds. The land bank sells vacant lots in its inventory at prices below market rate to nonprofit and for-profit organizations for affordable housing development. Since its inception, the program has sold 51 properties to certified nonprofit organizations for affordable housing development; twenty-four homes developed on these lots have been sold to low-income families at affordable prices.

Fulton County / City of Atlanta Land Bank Authority

The Atlanta/Fulton County Land Bank Authority was created by state statute in 1990 to acquire and hold tax-foreclosed properties. Comprised of city and county officials, the land bank acts as a liaison between the government and community development organizations, and has the authority to waive delinquent taxes on foreclosed properties. Community development corporations can utilize the land bank to obtain a clear title to properties they acquire. Legislation adopted by the state of Georgia in 1995 made it easier to obtain clear and insurable titles to tax-foreclosed properties, and also reduced the foreclosure process from 5 to less than 2 years. A new policy will allow the land bank to hold properties purchased by nonprofit organizations for up to five years, thereby reducing holding costs, which in turn translates to lower development costs for the nonprofits. Affordable housing groups have already identified 140 parcels that they'd like to bank for future development.

Conclusion

Land banks are useful tools for local governments to revamp communities affected by tax-delinquent, abandoned, and vacant properties. The land banking programs discussed in this article are each aided by state legislation providing them with broader powers and incentives to expedite the redevelopment of foreclosed properties for affordable housing purposes. If you don't have a land bank program in your area, you may wish to consider using one of these examples as a model.

Regulatory Reform in Orange County, Florida

Local governments adopt land use controls to regulate the type and pattern of development. Intended to safeguard public health, these regulations can sometimes inhibit the development of much-needed affordable housing. Many communities are taking steps to identify and remove such regulatory barriers. Orange County, Florida, a participating member of HUD's National Call to Action campaign, is one such community that has been proactive in adopting reform measures aimed at encouraging affordable housing development. This article will highlight some of the regulatory reform strategies adopted by Orange County, Florida.

Need for Affordable Housing

From 1990 to 2005, the median housing price in Orange County, home to Disney World and other attractions, shot up 148 percent, while median income increased by 46 percent. Located in Central Florida, with the city of Orlando as the county seat, Orange County is the most populous county in the state. With growth largely driven by the tourism industry, the county is projected to need over 236,000 new housing units by 2025. by 2025. Even with the recent drop in home prices, housing costs remain relatively high, and in tandem with the projected demand, continue to make affordable development a pressing need in Orange County.

Recognizing this need, Orange County created a workforce housing task force in 2006 to study housing affordability. Identifying the provision of affordable housing for the county's growing workforce as a priority, the task force submitted a report that includes strategies to mitigate regulatory barriers to affordable housing development. Some of the strategies recommended by the task force include impact fee discounts, streamlined review processes, and development fee deferrals. A number of these recommendations have been implemented while others are under review.

Expedited Review for Affordable Housing Projects

Developers proposing affordable housing projects in Orange County can take advantage of the county's expedited review process to reduce the approval process by 60 or more days. To be eligible for expedited review, proposed development applications have to be certified as affordable housing by the county Housing and Community Development Division. County departments involved in the approval process are required to complete all reviews within a specified period of time. The Board of Zoning Adjustments will reserve slots on its meeting agendas for hearings related to certified development applications, and any public hearings required before the Board of County Commissioners are also expedited.

Impact Fee Discounts

The impact fee discount program offers discounts to developers on charges associated with impact fees and sewer and water capacity demand charges for affordable housing projects. The program sets discount amounts based on the type of housing — single-family homes with a purchase price of under $125,000 are eligible for a discount of 62 percent of the specified impact fee. Multifamily units are eligible for a discount of 25 percent, provided that the developer signs an agreement with the county to sell such units at an affordable price to qualified households.

Conclusion

Orange County, the first jurisdiction in Central Florida to implement an impact fee discount program, has proactively tackled regulatory reform to promote affordable housing development. In addition to regulatory incentives, financial incentives targeting rehabilitation and construction of multifamily developments have helped boost the affordable housing supply in the county. These programs and others have successfully resulted in the production of 323 affordable new and rehabilitated multifamily housing units in Orange County.

Historic Preservation Increases Housing Supply

Rehabilitating historic buildings for housing purposes can help preserve a community's cultural heritage while bolstering its housing supply. Many communities have buildings of historical significance that are either vacant or underutilized. Usually located in downtown areas, these buildings are often of good quality construction, utilize existing infrastructure, and contain ample floor space, making them ideal for affordable housing development. This article will focus on regulatory incentives aimed at encouraging rehabilitation of historic properties for affordable housing purposes.

Regulatory Incentives to Encourage Rehabilitation

A number of communities provide financial incentives in the form of tax credits, grants, and loans for the rehabilitation of historic properties. However, zoning controls, building regulations, historic preservation guidelines, and approval processes can often act as barriers to historic rehabilitation.

In Los Angeles, California, city officials adopted an Adaptive Reuse Ordinance in 1999 to overcome these barriers. The Ordinance is designed to encourage the conversion of older, underutilized commercial buildings into affordable multifamily and live/work units. Buildings of historic significance are eligible for incentives such as density and building height waivers, reduced minimum parking requirements, and streamlined review processes. The ordinance was originally adopted for use in the downtown area, but was later amended for citywide use. To date, over 3,000 new housing units have resulted from the city's adaptive reuse program.

Older communities, which are common in the state of Massachusetts, still contain remnants of old farms that have been neglected for a number of years. The town of Amesbury, Massachusetts adopted a bylaw that allows homeowners to apply for a special permit to transform registered historic buildings on their properties, such as barns, outhouses, and carriage houses, into housing — even if zoning regulations do not normally permit such a use. Rehabilitation projects are not exempt from the state's affordable housing law, which requires that a percentage of all new residential units be set aside as affordable units. The town is currently reviewing special permit applications for rehabilitation of historic structures for residential purposes, as allowed under the bylaw.

In built-out communities, rehabilitating historic properties for housing purposes is often thwarted by excessive parking requirements. For this reason, the city of Champaign, Illinois has adopted an ordinance allowing reduced off-street parking requirements for designated historic structures that are rehabilitated for multifamily use. The city's zoning administrator is authorized to reduce parking requirements by 50 percent, as outlined in Section 37-524 of the city code. The city also adopted an administrative policy waiving all building fees for the rehabilitation of locally designated historic properties. According to the city's planning department, a number of historic properties located in the downtown area have been rehabilitated, resulting in over 45 multifamily housing units. While there are no specific affordability requirements, most of these units are student rentals and co-ops.

Conclusion

Historic preservation and affordable housing need not be mutually exclusive goals. Through the use of appropriate regulatory incentives, local governments can encourage rehabilitation of historic properties for housing purposes, thereby preserving a community's historic heritage while fulfilling the ever-present need for affordable housing.