

Testimony of Dr. Akilah Watkins

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United States House of Representatives

Committee on Ways and Means

“NOWHERE TO LIVE: PROFITS, DISINVESTMENT, AND THE AMERICAN HOUSING CRISIS”

July 13, 2022

1. Introduction

Good afternoon, Chairman Neal, Ranking Member Brady, and Members of the Committee. Thank you for the opportunity to testify on America's housing unaffordability crisis, which has harmed communities and held American families back for generations. The economic impacts of the pandemic have only made housing more expensive, pushed homeownership further out of reach for millions of Americans, and widened historic racial gaps in income, family wealth, and homeownership.

I serve as the President and CEO of the Center for Community Progress, a national nonprofit founded in the aftermath of the 2008 housing crisis.¹ We exist because too many American communities – small and large, rural and urban – were facing an explosion of vacant properties that posed significant costs to public health, property values, local taxpayers, and more. Since 2010, Community Progress has benefited millions of people nationwide by helping them return vacant, abandoned, and deteriorated properties back to productive uses that meet community goals and priorities. We are honored to work with state and local governments, national partners, and resident leaders to reform vacant property systems, policies, and practices. And, we strive to make a better future where vacant, abandoned, and deteriorated properties no longer exist by addressing the legacy of unjust laws, policies, and systems that cause some communities to bear an unfair share of this burden. Learn more about our work at www.communityprogress.org and in the documents contained in the enclosed appendix.

In my testimony today, I will first address some of the housing and neighborhood stability challenges facing the disinvested communities we serve, including the racial wealth gap. Next, I will identify strategies for meeting these challenges learned through our experience on the ground, predominantly in small to mid-size cities. Finally, I will discuss concrete actions that lawmakers can take to increase the supply of safe, affordable, accessible housing by investing in proven interventions that equitably transform vacant spaces into vibrant places.

2. Challenges Disinvested Communities Face

Systemic Vacancy and Hypervacancy

Every neighborhood has some vacant properties. You're probably thinking of the boarded-up home you pass on the way to work, or a vacant, overgrown lot in your Congressional district. In a typical community where about half of the properties are owner-occupied, half are renter-occupied, and the housing market is working well, overall year-round vacancy rates tend to fall between 4% and 6%.² Some vacancy is normal – but *systemic* vacancy is property vacancy that is so widespread it changes the character of a neighborhood. It is a symptom of deeper issues such as concentrated poverty, economic decline, and market failure, which are often rooted in historically inequitable local, state, and federal policies.

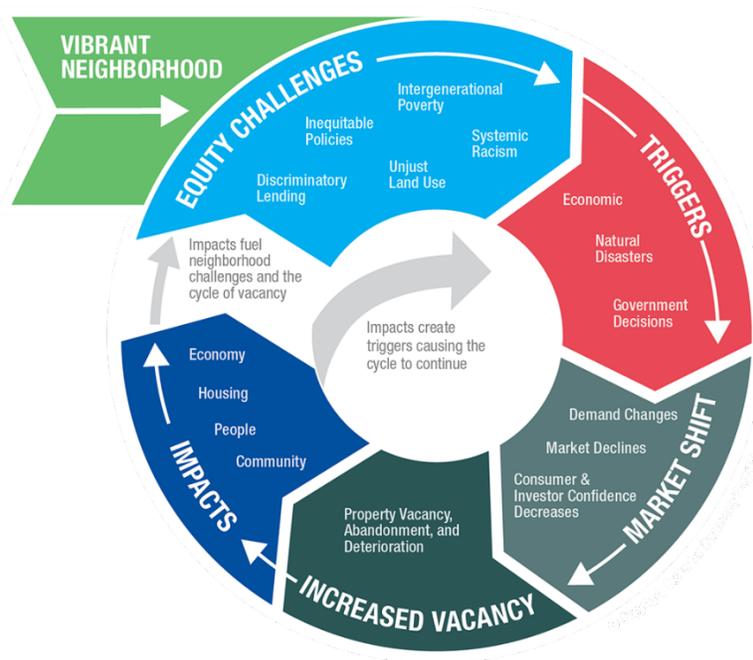
¹ Among the visionary leaders and thinkers that co-founded the Center for Community Progress over a decade ago is Rep. Dan Kildee, a sitting member of the Ways and Means Committee. While Rep. Kildee no longer has any professional affiliation with Community Progress, he has attended and spoken at past engagements and conferences hosted by our organization. Community Progress was founded in Flint, Michigan, where we maintain our headquarters.

² Mallach, A. (2018). *The Empty House Next Door*. Cambridge, MA: Lincoln Institute of Land Policy.

Communities experiencing systemic vacancy often become stuck in a negative cycle where vacant, abandoned, or deteriorated properties intensify poor living conditions impacting the local economy, community fabric, housing stock, and the local tax base. This in turn fuels neighborhood challenges and increases levels of vacant properties.³ When we consider these neighborhood challenges, we must consider both the physical distress of land and property, and the resulting human distress – the impact on community residents as a result of the physical deterioration around them.

There are currently more than 5.7 million vacant units throughout the U.S., and those units are often concentrated in communities of color and small- and mid-size neighborhoods.⁴

Our nation’s historic land ownership policies and their accompanying legal systems perpetuate this cycle of vacancy. Economic crises, inequitable government decision making, and natural disasters exacerbate systemic vacancy as well. This shift towards systemic vacancy can happen over years (e.g., after a major factory closes) or overnight (e.g., as happened in New Orleans with Hurricane Katrina).



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Hypervacancy, a term defined by Community Progress Senior Fellow Alan Mallach, describes a local area that has a 20% vacancy rate or higher. Many communities continue to face perennial hypervacancy, including Cleveland, Ohio (50.3% of tracts), St. Louis, Missouri (46.2%), and Gary, Indiana (51.6%).⁵

³ Center for Community Progress. (2022). Systemic Vacancy. Retrieved from <https://communityprogress.org/resources/vacancy/>

⁴ United States Census Bureau. (July, 6 2022). B25004 Vacancy Status. Retrieved from 2020 ACS 5-Year Estimates: <https://data.census.gov/cedsci/table?q=Vacancy&tid=ACSDT5Y2020.B25004>

⁵ Kasakove, S., & Gebeloff, R. (2022, July 6). *The Shrinking of the Middle-Class Neighborhood*. Retrieved from The New York Times: <https://www.nytimes.com/2022/07/06/us/economic-segregation-income.html>

Systemic and hypervacancy are public burdens that cause calculable harm. A 2016 study in Toledo, Ohio, found that vacant properties cost the city \$3.8 million per year in direct costs, \$2.7 million per year in lost tax revenues from the vacant properties themselves, \$98.7 million in lost property values, and \$2.68 million in lost tax revenues from adjacent properties whose value was diminished by the presence of vacant properties.⁶ A study in Austin, Texas found that “blocks with unsecured [vacant] buildings had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls” as blocks without vacant buildings.⁷ The total costs of distressed vacant properties in the city of Atlanta, Georgia, range from \$55 million to \$153 million in lost property values. This translates into lost property tax revenues of \$1 million to \$2.7 million annually.⁸ In Cleveland, Ohio, properties within 500 feet of a vacant, tax-delinquent, and foreclosed property lost 9.4% of their value.⁹

Ways Vacant, Abandoned, and Deteriorated Properties Negatively Impact Communities



(Copyright Center for Community Progress)

⁶ Immergluck, D., & Toering, S. (2016). “The Cost of Vacant and Blighted Properties in Toledo.” Center for Community Progress.

⁷ National Vacant Properties Campaign. (2005, August). “Vacant Properties: The True Costs to Communities.” Available at <https://files.hudexchange.info/resources/documents/VacantPropertiesTrueCosttoCommunities.pdf>. See also, “The Costs of Vacant, Abandoned, and Deteriorated Properties” found in the attached Appendix.

⁸ Immergluck, D. (2016, January). “The Cost of Vacant and Blighted Properties in Atlanta: A Conservative Analysis of Service and Spillover Costs.” Center for Community Progress. Available at https://www.communityprogress.net/filebin/Cost_of_Vacant_and_Blighted_Immergluck_FINAL_02.17.16.pdf.

⁹ Whitaker, S., & Fitzpatrick, T., (2011). “The Impact of Vacant, Tax-Delinquent and Foreclosed Property on Sales Prices of Neighboring Homes.” Federal Reserve Bank of Cleveland.

The Housing Supply Shortage

Recent research estimates differ on the precise amount of the national housing undersupply, but uniformly agree that the U.S. is short millions of housing units. The National Low Income Housing Coalition estimates a shortfall of 7 million “rental homes affordable and available to extremely low-income renters” at or below 30% of area median income.¹⁰ For buyers, in 2021, Freddie Mac’s Chief Economist estimated the shortfall of homes to be 3.8 million,¹¹ and the National Association of Realtors released a report estimating the shortfall to be nearly 7 million homes.¹²

The impact of global supply chain shortages and global price inflation that has impacted every sector has not spared the housing and building industry, but these housing inventory shortfalls are not a new phenomenon. Decades of exclusionary and restrictive policies at the local, state, and federal levels and inequities in the homeownership ecosystem have collided with COVID-19-era shifts in the way families live and work. Without bold, meaningful investments in and incentives for the development of new housing supply generally, and in quality, accessible housing affordable to low- and moderate-income families in the places they plan to live specifically, this housing affordability crisis will undoubtedly persist.

The Appraisal Gap Challenge

Nationwide, thousands of formerly thriving communities – rural and urban – struggle with weak housing markets, distressed neighborhoods, and low homeownership rates. In many of these places, the housing stock is predominately aging single-family homes, many of which need substantial rehabilitation or, if beyond repair, demolition. These are most often the same communities where vacant, abandoned, deteriorated homes undermine neighborhood stability and depress the local tax base.

At the same time, these neighborhoods have a shortage of quality, safe starter homes and – for the homes that *are* available – first-time homebuyers cannot fairly compete with cash-in-hand investors. This places the American dream of homeownership – the primary means of building wealth and financial security – out of reach. These neighborhoods cannot retain or attract working families without quality homes, but property values are too low to support the ever-increasing, supply-chain dependent cost of building or substantially rehabilitating homes. Put simply, in too many housing markets, the cost to acquire and rehab properties into quality housing exceeds what that house could reasonably sell for. That difference – build/rehab cost minus sale value – is the “appraisal gap” or “value gap.”

For housing developers in these markets, particularly mission-driven, nonprofit affordable housing developers seeking to create homeownership opportunities, the appraisal gap is only surmountable through subsidy, either directly through grants, or by taking on projects outside their mission that yield

¹⁰ National Low Income Housing Coalition. (2022) “The Gap” research portal. Accessed July 7, 2022 at <https://nlihc.org/gap>.

¹¹ Khater, S. (2021) “Housing Supply: A Growing Deficit.” Freddie Mac. Available at: <https://www.freddiemac.com/research/insight/20210507-housing-supply>.

¹² Rosen, K., Bank, D., Hall, M., Reed, S., & Goldman, C. (June 2021) “Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing.” Rosen Consulting Group for the National Association of REALTORS®. Accessed July 7, 2022 at <https://www.nar.realtor/sites/default/files/documents/Housing-is-Critical-Infrastructure-Social-and-Economic-Benefits-of-Building-More-Housing-6-15-2021.pdf>.

enough profit to balance out losses. This results in developers wasting time chasing subsidies and being unable to operate at a scale that truly transforms struggling neighborhoods and repairs weak markets.

The Small-Balance Mortgage Challenge

Then, there is the challenge many families face in getting a mortgage in low-cost housing markets. Although many communities across the U.S. have low-cost single-family homes available, including many of the rural areas and small and mid-size cities that Community Progress serves, what kind of average American has the cash on hand to buy a \$70,000 home without some financial assistance? The lack of mortgage products available to owner-occupant buyers in these markets prevents far too many otherwise qualified families from achieving the dream of homeownership. All too often, those families and those communities are predominately Black and Brown.

While small-balance mortgages historically perform comparably to higher-balance mortgages and their borrowers have similar credit profiles, small-balance mortgages are perceived as “riskier.”¹³ (Labeling some areas as “riskier” from a lending perspective was a common justification used in redlining practices.¹⁴)

In 2015, only approximately 25% of homes purchased at or below \$70,000 were financed with a mortgage, as compared to nearly 80% of homes worth between \$70,000 and \$150,000. Fixed mortgage origination and servicing costs make small loans less profitable, and therefore less attractive, to lenders and servicers.¹⁵ This creates fertile ground for investors to dominate many low-cost housing markets through cash purchases, leaving fewer and fewer homeownership opportunities in otherwise naturally affordable, low-cost housing markets.

The Racial Wealth and Homeownership Gap

As of the most recent Census data from the 2019 Survey of Income and Program Participation (SIPP), the racial wealth gap shows that White households possess more than ten times the wealth of Black households.¹⁶ Home equity is a major contributor to this gap:

¹³ McCargo, A., Bai, B., George, T., & Stochak, S. (March 2019) “Small-Dollar Mortgages: A Loan Performance Analysis.” Washington, DC: Urban Institute. Available at: https://www.urban.org/sites/default/files/publication/99906/small_dollar_mortgages_a_loan_performance_analysis_2.pdf.

¹⁴ Mendez-Carbajo, D. (September 2021) “Neighborhood Redlining, Racial Segregation, and Homeownership.” *Page 1 Economics*. Federal Reserve Bank of St. Louis. Retrieved from: <https://research.stlouisfed.org/publications/page1-econ/2021/09/01/neighborhood-redlining-racial-segregation-and-homeownership>.

¹⁵ McCargo, A., Bai, B., George, T., & Stochak, S. (April 2018) “Small-Dollar Mortgages for Single-Family Residential Properties.” Washington, DC: Urban Institute. Available at: <https://www.urban.org/research/publication/small-dollar-mortgages-single-family-residential-properties>.

¹⁶ United States Census Bureau. (July 6, 2022) Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2019. Retrieved from: <https://www.census.gov/data/tables/2019/demo/wealth/wealth-asset-ownership.html>.

Characteristic	Net Worth	Net Worth (Excluding Equity in Own Home)
White alone	\$150,300	\$56,250
White alone, not Hispanic	\$187,300	\$79,010
Black alone	\$14,100	\$3,630
Asian alone	\$206,400	\$76,740
Other (residual)	\$37,850	\$9,960
Hispanic origin (any race)	\$31,700	\$9,600
Not of Hispanic origin	\$141,400	\$54,230

In the fourth quarter of 2021, 74% of White adults owned a home, compared with 43% of Black Americans and 48% of Hispanic Americans. These disparities in homeownership have persisted over decades.

The median home price-to-income ratio was at an all-time high in 2021. The median sales price for existing homes last year was 5.3 times the median household income – a historic high and a notable increase from the previous peak of 4.9 in 2005. By comparison, price-to-income ratios averaged 3.9 in the 2010s, 4.1 in the 2000s, and just 3.1 in the 1980s.¹⁷

According to Zillow and the *Wall Street Journal*, in 477 U.S. cities the typical home value at the end of April 2022 was still below peak levels from the housing boom in the early 2000s that precipitated the mortgage collapse and Great Recession. According to Alan Mallach, “Wide disparities in home-price appreciation often exist within cities. The areas where home values have been stagnant are often historically Black homeowner-occupied areas.”¹⁸

Further evidence from the National Community Reinvestment Coalition demonstrates that:

- After declining for much of the past 20 years, the national Black homeownership rate has persisted at 42% between 2016 – 2018, as low as it was in 1970, while the rate of white homeownership increased to 73% percent in 2019, a record high.
- A 20% – 30% gap between Black/white homeownership rates has persisted for more than 100 years, despite Black homeownership increases in the mid-1900s.
- Black Americans go into greater debt for less valuable homes and receive less of a return on homeownership than white Americans.

¹⁷ Joint Center for Housing Studies of Harvard University. (2022). “The State of the Nation's Housing 2022.” Cambridge, MA: Harvard University.

¹⁸ Friedman, N., & Eisen, B. (June 2022) “Housing Boom Fails to Lift All Homes Above Previous Cycle’s Peak.” New York: *Wall Street Journal*. Retrieved from: <https://www.wsj.com/articles/housing-boom-fails-to-lift-all-homes-above-previous-cycles-peak-11654335001>

- If holding the current rates of Black homeownership formation and loss constant, then it would require approximately 165,000 additional new Black homeowners each year over the next 20 years to get to 60% Black homeownership by 2040.
- Bold new approaches to housing finance and investment in community development is required to get to a 60% homeownership rate for Black Americans.
- Even getting to a record-level Black homeownership rate of 60% will not bridge the Black and white wealth divide. Additional bold programs like baby bonds, full employment and reparations are needed to close the Black/white wealth divide in the foreseeable future.
- Black populations with moderate incomes in geographic areas with affordable housing and low Black homeownership rates offer strong opportunities to increase Black homeownership.¹⁹

3. Strategies for Meeting These Challenges

Land Banks: A Powerful Tool to Stabilize Communities

There is hope to meet these challenges. Since our founding, Community Progress has been a champion for land banks and land banking programs as one tool that, when appropriately used in the right places, can disrupt failed systems and weak markets. Land banks can uplift community control of the built environment, help local leaders think differently about land ownership and stewardship, and revitalize disinvested neighborhoods.

A land bank is a public entity with unique governmental powers, most often created through state-enabling legislation, that is solely focused on converting problem properties into productive use according to local community goals.²⁰ Driven by boards that include community members and operating pursuant to public transparency laws, land banks fundamentally support community development efforts. Land banks can maintain vacant structures until they can be restored and demolish those that cannot; assemble property for future reuse; turn tax-foreclosed properties into quality housing for all income levels; facilitate commercial and industrial property reuse; and work with residents to transform vacant land into parks, gardens, and other community spaces. Land banks exist in rural, suburban, and urban geographies, with a total of 250 land banks in 29 states today.²¹

Through special powers granted typically by state-enabling legislation, land banks can more flexibly and efficiently obtain control of and transition problem properties than other governmental or nonprofit entities. A land bank can use the property tax and lien enforcement process to proactively acquire a property for substantially less than the amounts due on the property, extinguish past liens, hold property tax-exempt until it is sold, and transition that property to a purchaser for an end use that aligns

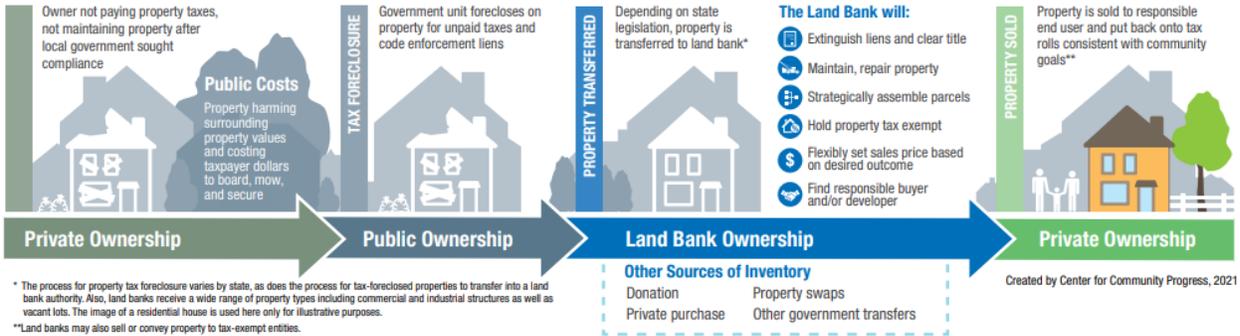
¹⁹ Asante-Muhammad, D., Buell, J., & Devine, J. (2021) "60% Black Homeownership: A Radical Goal for Black Wealth Development." Washington, DC: National Community Reinvestment Coalition. Retrieved from: <https://ncrc.org/60-black-homeownership-a-radical-goal-for-black-wealth-development/>.

²⁰ Center for Community Progress. (2021) "Land Banks: A Tool for Addressing Problem Properties to Serve Community Goals" found in the attached Appendix.

²¹ Center for Community Progress. (March 2022) National Land Bank Map. Retrieved July 7, 2022 from: <https://communityprogress.org/resources/land-banks/national-land-bank-map/>.

with community priorities. This approach offers an important alternative to a traditional tax foreclosure sale, prioritizing best local outcome over highest offer.

How does a land bank work?



Land bank leaders cite access to sufficient, predictable funding as one of their greatest operational challenges – and yet these entities are still driving impressive impact in communities across the country. Land banks are funded through a variety of sources, which may include revenue from the sale of properties, general fund appropriations from local and county governments, federal and state grants, and foundation grants. Recognizing the critical role land banks play in community revitalization, some states have enabled land banks to receive a portion of fees collected through the property tax enforcement process or a portion of the new property taxes generated from properties sold by the land bank.

National Land Bank Network

In 2021, Community Progress launched an initiative called the National Land Bank Network (NLBN), a national campaign for education and land bank leadership development, capacity building, and technical assistance. Modeled after the pioneering work of statewide land bank associations that have formed in Michigan, Ohio, New York, Georgia, and Pennsylvania, NLBN provides a national platform and formalized network to advance the field and allow for peer-to-peer learning exchanges across state lines.

Community Land Trusts

Another approach to long-term housing affordability is the community land trust model. Although many variations on the model exist, community land trusts (CLTs) most often focus on providing permanently affordable housing. A CLT achieves this by separating the ownership of the land and structure. The CLT retains ownership of the land and enters into a 99-year renewable ground lease with the homeowner. The homeowner purchases the structure on the land at a subsidized price, pays the mortgage on the structure and is responsible for maintenance of the land and structure.

The CLT ground lease places limits on the future sales price of the property, while also providing an opportunity for owners to build wealth from the home sale, so that the home remains accessible to low- and moderate-income homebuyers at an affordable rate in perpetuity. Typically, the development, rehab, or purchase of CLT homes is subsidized through public or philanthropic funds, and this subsidy

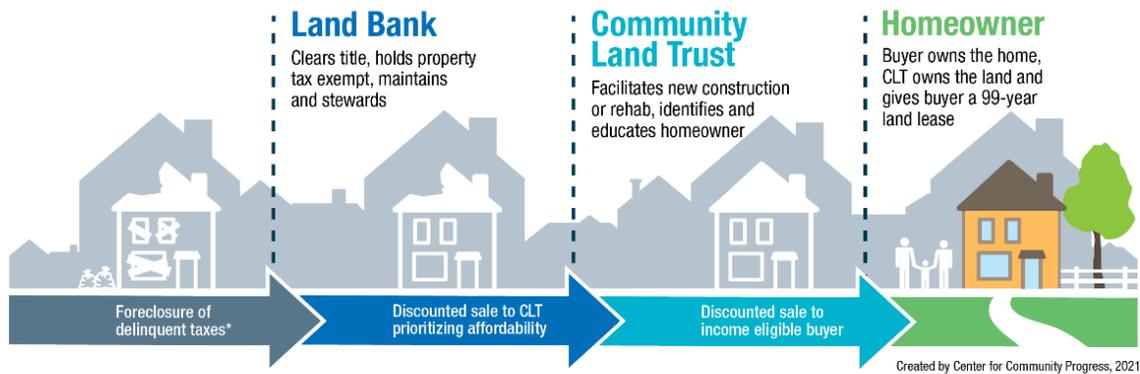
stays with the property forever, underwriting the purchase price again and again for generations of owners.

While CLTs are best known for providing affordable homeownership opportunities, CLTs can use their land for affordable single and multi-family rental opportunities, mixed-income and mixed-use developments, community-oriented commercial spaces, community gardens, and much more. Lasting affordability requirements are what set community land trusts apart from more traditional forms of affordable housing development.²²

The median shared equity household accumulates approximately \$14,000 through their participation in shared equity programs across housing market periods. By comparison, the median equity investment at purchase is \$1,875. Even though some risk associated with homeownership remains, sellers overwhelmingly accumulate wealth.

CLT loans are stable, foreclosing less frequently than traditional mortgages, in part as a result of the supportive services offered by CLTs to achieve homeownership success.²³ Shared equity models are effective in providing stable housing and result in people staying in their homes longer – the average annual moving rate is 2.6%. By comparison, on average, 6.9% of all homeowners and 14% of all households nationwide moved each year during the same period. When shared equity households sold their homes and moved, the majority (58%) chose to purchase again.²⁴

Working together, a land bank can leverage its unique property acquisition powers to provide a pipeline of land or structures for a CLT to convert into quality, permanently affordable housing.



* While property tax and lien enforcement processes are the most common method, dependent on state law, land banks may also acquire properties through a variety of mechanisms such as governmental transfer, donation, property swap, and private market purchase.

²² National League of Cities and Grounded Solutions Network. (2021) "Community Land Trusts: A Guide for Local Governments." Washington, DC: National League of Cities. Retrieved from <https://www.nlc.org/resource/community-land-trusts-a-guide-for-local-governments/>.

²³ Thaden, E. & Rosenberg, E. (October 2010) "Outperforming the Market Delinquency and Foreclosure Rates in Community Land Trusts." *Land Lines*. Cambridge, MA: Lincoln Institute of Land Policy. Retrieved from <https://www.lincolinst.edu/publications/articles/outperforming-market>.

²⁴ Wang, R., Cahen, C., Acolin, A., & Walter, R. J. (2019) "Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations." Cambridge, MA: Lincoln Institute of Land Policy. Retrieved from <https://www.lincolinst.edu/publications/working-papers/tracking-growth-evaluating-performance-shared-equity-homeownership>

4. Concrete Actions and Critical Investments

The National Land Bank Network Act

The Center for Community Progress urges lawmakers to pass the National Land Bank Network Act, which was introduced in the 116th Congress by Rep. Kildee and Rep. Ferguson. This groundbreaking program would provide direct federal investment to build and strengthen the NLBN, and more importantly, would create a grant program to build capacity across the land bank field. This grant program would support technical assistance not only to existing land banks, but also to communities working to get new land banks off the ground. And it could help fund the growing staffing, land stewardship, and technology needs of land banks in rural as well as urban communities.

In a survey conducted in 2021, land banks responded that 53% don't have adequate funding to cover basic expenses and 47% operate with **one or fewer full-time employees**. Particularly in land banks operating in rural counties in states like Georgia and West Virginia, land banks are doing so much with so little. The NLBN Act's grant program would provide a lifeline to allow these land banks to better operate at scale.

We thank Rep. Kildee and Rep. Ferguson for their vision and leadership, as well as the bipartisan group of co-sponsors who supported the NLBN Act in the 116th Congress, and look forward to working with this Congress to make the enactment of the National Land Bank Network Act a reality.

Neighborhood Homes Investment Act

To address many of the challenges discussed in my testimony, particularly the appraisal gap problem, a targeted tax credit program called the Neighborhood Homes Investment Act²⁵ (NHIA) would be transformative in the communities we serve. Led by Committee Members Rep. Brian Higgins and Rep. Mike Kelly, this proposal has overwhelming bipartisan support in both the House and Senate.

The goal of the Neighborhood Homes Investment Act is to create a financing tool for single-family housing, as powerful as the Low-Income Housing Tax Credit, to help transform neighborhoods across the country. This new financing tool would not only drive much-needed resources to investment-starved communities, but it would also enlarge and elevate the nascent affordable, single-family housing development industry that was catalyzed by events like Hurricane Katrina and the mortgage foreclosure crisis.

NHIA tax credits would provide a powerful incentive for the private sector to build and rehabilitate homes to lift up struggling neighborhoods. Unlike a grant program, the NHIA tax credit would pay only for "success" because the credit is only applied after construction is completed and a qualified homeowner occupies the house. In addition, the NHIA tax credit will fill only the *actual value gap*, as determined by the market. If a home sells for more than the cost of the development, no tax credits will be used. The private sector shoulders the key risks, such as the possibility that a project does not get completed or a qualified homeowner does not purchase it.

²⁵ H.R. 2143 / S. 98, 117th Congress.

For a practical example of how a land bank could leverage NHIA tax credits, consider an actual 2021 single-family rehab project completed by the Lucas County Land Bank in Toledo, Ohio:

625 Collins – Without NHIA



Uses

Acquisition Costs	\$0
Construction Costs	\$108,000
Soft Costs	\$22,000
Staff Time	In-Kind
Total Uses	\$130,000

Needs

New Roof, Foundation Wall Rebuild, Exterior Paint, Porch Rebuild, Window Repair, New HVAC, New Plumbing, New Electrical, Kitchen Gut, Bathroom Gut, New Driveway...

Sources

Sales Price	\$85,000
Land Bank Subsidy	\$45,000
Total Sources	\$130,000

Net Return **(\$45,000)**

Can we afford it??



625 Collins – With NHIA



Uses

Acquisition Costs	\$0
Construction Costs	\$108,000
Soft Costs	\$22,000
Staff Time	In-Kind
Total Uses	\$130,000

Sources

Sales Price*	\$95,000
NHIA (35%)	\$37,000
Total Sources	\$132,000

Net Return **\$2,000**

A win-win-win!



Instead of causing the land bank to absorb a \$45,000 loss on 625 Collins Ave, a NHIA tax credit could have turned this project into a \$2,000 net return. This would allow the land bank to scale up its operations, partner with more developers, and dedicated more time and resources to the work of transforming the neighborhoods it serves, from this:



To this:



We thank Committee Members Rep. Higgins and Rep. Kelly for championing NHIA, and, once enacted, we look forward to supporting the desperately needed, single-family, attainable housing development that it will jumpstart in the communities we serve.

5. Conclusion

The housing affordability crisis causes acute harm in the disinvested communities our organization serves – like Midwest communities that have lost populations over decades after the closing of a major factory, rural communities where vacant and deteriorated buildings dot the landscape, inner-city neighborhoods with long-boarded up storefronts and blocks of empty buildings that *could* be affordable homes. As we grapple with how best to increase the supply of quality, affordable housing for renters and owner-occupants, we must broaden our thinking about how land is owned, stewarded, and developed. To uplift disinvested communities, we must make hard decisions about how to create targeted investments and incentives that prioritize American families and community needs. And we must invest in strategies – like land banks, community land trusts, small dollar mortgage products, and tax credits – that equitably build wealth, promote homeownership, and close historic and shameful racial gaps.

APPENDIX

Center for Community Progress “Progress Points” on:

1. Systemic Vacancy: How People, Policies, and Processes Contribute to Large-Scale Vacancy
2. The Costs of Vacant, Abandoned, and Deteriorated Properties
3. Land Banks: A Tool for Addressing Problem Properties to Serve Community Goals
4. Land Banks: Demonstrating the Positive Impacts on Communities
5. Land Banks and Community Land Trusts

Systemic Vacancy

How People, Policies, and Processes Contribute to Large-Scale Vacancy

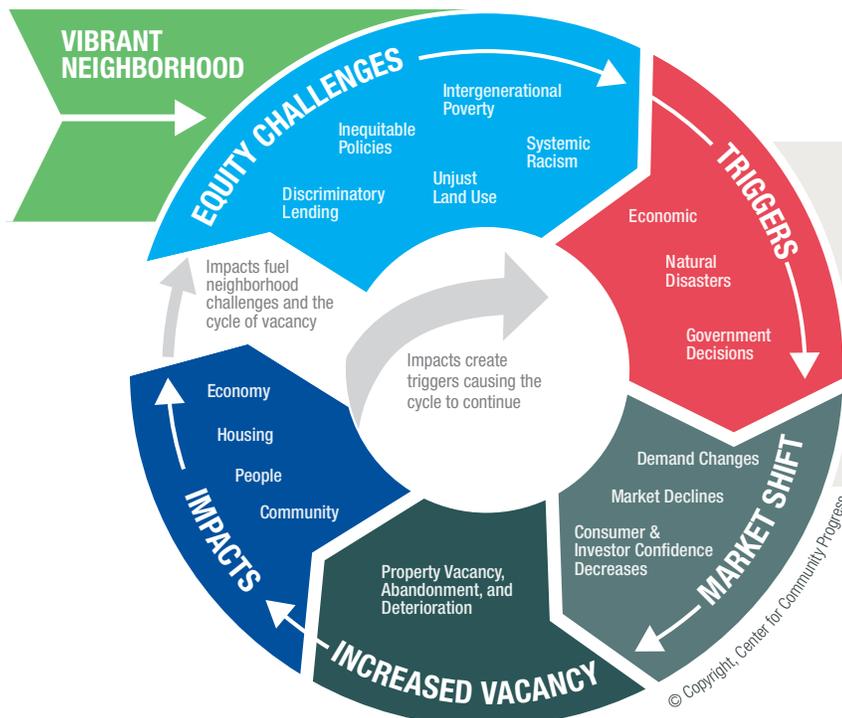
Every person deserves to live in a community where property vacancy, abandonment, and deterioration do not exist. Even in the most vibrant communities, however, there are neighborhoods trapped in the grips of systemic racism and intergenerational poverty.

Coupled with historically inequitable land use and lending practices such as redlining, predatory lending, and exclusionary zoning, these neighborhoods are often the places where vacant, abandoned, and deteriorated properties are common.

Our nation's historic land ownership policies and their accompanying legal systems impact and perpetuate vacant, abandoned, and deteriorated properties. Economic crises, inequitable government decision making, and natural disasters exacerbate the issues of systemic vacancy. This shift towards systemic vacancy can happen over years or overnight (e.g., as happened in New Orleans with Hurricane Katrina).

Communities experiencing these conditions often become stuck in a negative cycle where vacant, abandoned, or deteriorated properties intensify poor living conditions impacting the economy, community, housing stock, and individuals which in turn fuels neighborhood challenges and increases levels of vacancy and abandonment.

The Cycle of Vacancy



Systemic vacancy is the community experience of widespread property vacancy caused by the combined actions of people, policies, and processes.

Learn More about addressing systemic vacancy at communityprogress.org/vacancy

Systemic Vacancy

The Costs of Vacant, Abandoned, and Deteriorated Properties

Vacant, abandoned, and deteriorated (VAD) properties pose significant costs to public health, property values, local taxpayers, and more. Failure to address VAD properties, just like ignoring a leaking faucet, costs more in the long run and causes more harm over time. Understanding the true and complete costs of VAD properties is critically important in building the case to reform the broken status quo and implement more equitable, effective, and efficient solutions.

Public Health Impacts

Physical health: Individuals living in substandard housing can be exposed to dangerous toxins such as mold, lead, and asbestos, increasing the risk for asthma, cardiovascular disease, increased aggression, learning disabilities, sexually transmitted diseases, and poor health outcomes.

Emotional wellbeing: Visual evidence of vacancy and neighborhood disinvestment—such as boarded up properties, trash and dumping, and overgrown weeds—has been shown to harm the mental health of neighbors, putting them at greater risk of sadness, depression, stress, and elevated rates of intentional injury.

Violence and crime: Studies have shown that violent crime, including assaults and gun-related crimes, increase in disinvested neighborhoods with vacant and abandoned properties.^{1,2}



40% of asthma episodes in children are caused by asthma triggers in the home.³

In an analysis of US Census data on 107 cities, individuals who lived in deteriorated neighborhoods had higher rates of gonorrhea, premature death in general, and death from cardiovascular disease and homicide.⁴

Learn More about addressing systemic vacancy at communityprogress.org/vacancy

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Ways Vacant, Abandoned, and Deteriorated Properties Negatively Impact Communities



Creates unsafe environment for occupants (e.g. lead, asbestos)

Creates unsafe environment for neighbors (e.g. attracts crime, rodent harborage, physical threat)

Harms mental health



Lowers surrounding property values, threatening homeowners' investment

Property deterioration exceeds cost-effective repair

Higher insurance premiums



Lowers property values, reducing tax base

Contributes to future property vacancy

Increases municipal service costs



Individual Wealth Impacts

Property equity: Owning a property is often an individual's greatest investment and financial asset. Research has consistently shown that VAD properties reduce the value of surrounding properties leading to decreases in owners' equity and personal wealth.

Financial liabilities: Homeowners within close proximity to abandoned properties are often charged higher insurance premiums or even face policy cancellations because of the unstable nature of the neighborhood created by the vacant properties leaving homeowners with greater financial liabilities.⁵

Community Fiscal Stability

Municipal Revenue: Property taxes are typically the largest source of revenue for local governments. Research has shown vacant and abandoned properties lead to a decrease in taxable values of surrounding properties and increase the likelihood of mortgage and tax foreclosures nearby creating a harmful domino effect that creates revenue challenges for local governments.

Maintenance and abatement costs: Local governments incur the costs of remedying nuisances and unsafe conditions, including boarding and securing structures, cutting grass, removing trash and debris, and demolishing unsafe structures.

*In Cleveland, Ohio, properties within 500 feet of a **vacant, tax-delinquent, and foreclosed property lost 9.4% of their value.**⁶*

*The total costs of distressed vacant properties in the city of Atlanta, Georgia, range from **\$55 million to \$153 million in lost property values.** This translates into lost property tax revenues of **\$1 million to \$2.7 million annually.**⁷*

Learn More about addressing systemic vacancy at communityprogress.org/vacancy

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Public safety costs: Higher violent and property crime rates and the associated costs to dispatch police and fire services to respond to these crimes are commonly associated with VAD properties.

The Cost of Inaction

The costs of the status quo are significant. Inaction is not an option. Communities across this country have shown that investing in solutions to reverse the harms caused by VAD properties has not only been cost-effective but generated more equitable and positive outcomes. Understanding the costs of vacancy, abandonment, and deterioration can serve as a critical first step in your efforts to addressing problem properties, or help to hone existing strategies for more equitable, efficient, and effective outcomes.

*In 2016, the City of Toledo, Ohio, spent **\$3.8 million on services related to VAD properties**, including \$1 million on code enforcement, \$800,000 on nuisance abatement, \$600,000 on police dispatch, and \$1.4 million on fire dispatch.⁸*

*A study in Austin, Texas found that “blocks with unsecured [vacant] buildings had **3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls**” as blocks without vacant buildings.⁹*

- 1 Garvin, Eugenia and Branas, C., Keddem, S., Sellman, J., and Cannuscio C. (2012). “More Than Just An Eyesore: Local Insights And Solutions on Vacant Land And Urban Health.” Journal of Urban Health: Bulletin of the New York Academy of Medicine, Vol. 90, No. 3. Available at <https://pubmed.ncbi.nlm.nih.gov/23188553/>.
- 2 Branas, C., et al. (2012). “Vacant Properties and Violence in Neighborhoods.” International Scholarly Research Network. Available at https://repository.upenn.edu/cgi/viewcontent.cgi?article=1004&context=cml_papers.
- 3 Robert Wood Johnson Foundation Commission to Build a Healthier America. (2009, April). “Beyond Health Care: New Directions to a Healthier America.” Available at: <https://www.rwjf.org/en/library/research/2009/04/beyond-health-care.html>.
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- 5 National Vacant Properties Campaign. (2005, August). “Vacant Properties: The True Costs to Communities.” Available at <https://files.hudexchange.info/resources/documents/VacantPropertiesTrueCosttoCommunities.pdf>.
- 6 Stephen Whitaker and Thomas J. Fitzpatrick IV, The Impact of Vacant, Tax-Delinquent and Foreclosed Property on Sales Prices of Neighboring Homes, Federal Reserve Bank of Cleveland (2011).
- 7 Immergluck, Dan. (2016, January). “The Cost of Vacant and Blighted Properties in Atlanta: A Conservative Analysis of Service and Spillover Costs.” Available at https://www.communityprogress.net/filebin/Cost_of_Vacant_and_Blighted_Immergluck_FINAL_02.17.16.pdf.
- 8 Center for Community Progress. (2016, June). “A Conservative Analysis of Costs Imposed by Vacant and Blighted Properties in Toledo: Conducted at the Invitation of the Junction Neighborhood.” Available at <https://communityprogress.org/publications/tasp-toledo/>.
- 9 National Vacant Properties Campaign. (2005, August). “Vacant Properties: The True Costs to Communities.” Available at <https://files.hudexchange.info/resources/documents/VacantPropertiesTrueCosttoCommunities.pdf>.

Learn More about addressing systemic vacancy at communityprogress.org/vacancy

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Land Banks

A Tool for Addressing Problem Properties to Serve Community Goals

A land bank is a public entity with unique governmental powers, created pursuant to state-enabling legislation, that is solely focused on converting problem properties into productive use according to local community goals.

Land banks across the country have been a vehicle for supporting broader community development by maintaining vacant structures that can be restored and demolishing those that cannot, assembling property for future reuse, turning tax-foreclosed properties into quality housing for all income levels, facilitating commercial and industrial property reuse, and working with the community to transform vacant land into parks, gardens, and other community spaces.

While the special powers granted to land banks differ from state to state, ideally land banks have the authority to:

- Acquire tax-foreclosed property cost-effectively
- Extinguish liens and clear title
- Hold property tax-exempt
- Generate and collect revenue from delinquent property tax fees, property tax recapture, or other funding mechanisms
- Flexibly sell property to a responsible buyer and/or developer, driven not by highest price but by the outcome that most closely aligns with community goals



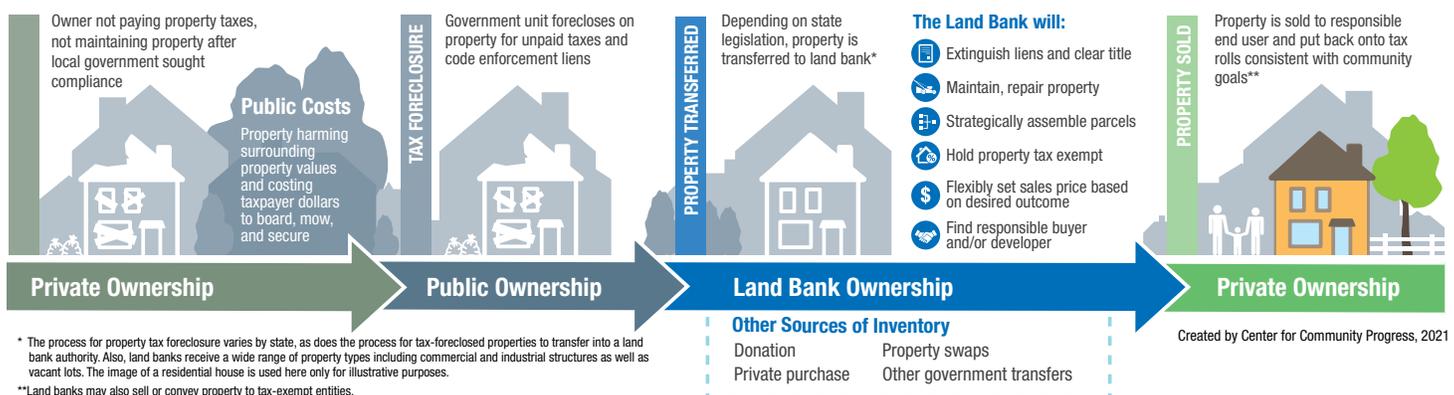
What's the difference between a land bank and a land banking program?

Land banks are created pursuant to state-enabling legislation which confers unique powers to these public entities, such as the ability to acquire tax-foreclosed properties cost-effectively, clear title, hold property tax-exempt, sell properties flexibly, and generate revenue.

Land banking programs may be operated by governmental or nonprofit entities and focus on acquiring, holding, and selling properties. However, since land banking programs are not created pursuant to state-enabling legislation, these programs do not have the special powers of a land bank, which may limit some of their utility.

There are over more than 250 land banks and land banking programs across the country – explore their locations [here](#).

How does a land bank work?



* The process for property tax foreclosure varies by state, as does the process for tax-foreclosed properties to transfer into a land bank authority. Also, land banks receive a wide range of property types including commercial and industrial structures as well as vacant lots. The image of a residential house is used here only for illustrative purposes.

**Land banks may also sell or convey property to tax-exempt entities.

Learn More about land banks at communityprogress.org/land-banks

PROGRESS POINTS

While all land banks exist to serve the same primary purpose of acquiring problem properties and returning them to productive use, they are quite diverse in their structure and operations. Land banks across the country vary greatly in terms of the types of cities, towns, and regions, and economic conditions in which they operate, the size of their inventories, their staff capacity, their legal authorities, and their goals and programs.

Despite this diversity, our experience has shown that successful land banks have the following:

- **Strategic links to the property tax collection and foreclosure process.** Many vacant and abandoned properties have property tax delinquency, which explains why nearly all land banks have established strategic links to the tax foreclosure process as a primary, cost-effective source of acquisition – aiming to direct these properties to new responsible owners.
- **Sufficient, predictable source of funding.** A land bank's focus is on the inventory of problem properties the local market has basically rejected and therefore will always require some level of public support – whether cash or in-kind – that is proportional to the scope and scale of vacancy the land bank is expected to help resolve. With a sufficient, predictable source of funding, land banks can focus on the creative interventions and community partnerships that are required to equitably transform liabilities to productive use that advance community goals.
- **Engagement with residents and other community stakeholders.** Successful land banks have found creative and consistent ways to inform, engage, and build relationships with residents to help prioritize land bank interventions and develop long-term solutions.
- **Operations scaled in response to local land use goals.** Land banks should always make decisions based on a strong understanding of community priorities and goals, and guided by neighborhood, local, and regional revitalization plans.
- **Policy-driven, transparent, and publicly accountable transactions.** Land banks should build and maintain trust with the public through transparency of priorities, policies, and procedures that govern all actions. These should be established prior to any transactions and annually revisited with public input to maintain a high standard of transparency and accountability.
- **Alignment with other local or regional tools and community programs.** Successful land banks have helped facilitate and work within diverse collaborations across the public, private, and nonprofit sectors that share similar economic and community development goals.



How are land banks funded?

Access to sufficient, predictable funding is cited by land bank leaders as one of the greatest operational challenges—and yet these entities are still driving impressive impacts in communities across the country, read more [here](#).

Land banks are funded through a variety of sources, which may include revenue from the sale of properties, general fund appropriations from local and county governments, federal and state grants, and foundation grants.

Recognizing the critical role land banks play in community revitalization, some states have enabled land banks to receive a portion of fees collected through the property tax enforcement process or a portion of the new property taxes generated from properties sold by the land bank.

Does my community need a land bank?

Any community considering the creation of a land bank should assess several factors to determine if a land bank is needed or likely to be successful. Some common reasons for creating a land bank include:

- Large inventories of vacant property, often with little to no market value and/or significant delinquent taxes and liens
- Properties with title problems
- Inflexible public policies dictating the sale of public property, limiting the ability to be strategic and nimble
- Unpredictable and harmful outcomes of auctioning tax-foreclosed properties

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Land Banks

Demonstrating the Positive Impacts on Communities

Land banks across the country are helping to make equitable, inclusive neighborhoods and resilient communities possible. State and local laws grant land banks special powers that allow them to focus on some of the most complicated problem properties: those that are vacant, abandoned, and deteriorated (VAD). By acquiring problem properties, stewarding them on behalf of the public, engaging residents, and attracting new investment, land banks are generating significant positive impacts for the communities they serve.



Land Bank Impacts

Increase property values: VAD properties reduce the value of properties within close proximity, ultimately impacting individuals' equity and wealth, local governments' tax revenue potential, and weakens real estate markets, creating a cycle of decline. Some land banks intervene and take appropriate action to address the VAD properties resulting in an increase in surrounding property values in the neighborhood.

The median sale price in Detroit, Michigan grew an additional 11.5% per year in the Land Bank's Rehabbed & Ready neighborhoods during the three-year treatment period than they would have without the intervention.¹

Land Bank Positive Impacts



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PROGRESS POINTS



*Studies show simply cleaning and greening vacant lots **can decrease gun-related violence by as much as 29%.***²

Increase municipal revenue: VAD properties are often delinquent on taxes, and municipal revenues suffer as a result. Land bank interventions break the cycle of foreclosure and are placed back on the tax rolls which leads to greater municipal revenue, creating more financial resources for critical community services.

Leverage investment for economic growth: Public expenditures can lead to private investments. Through interventions ranging from small residential rehabilitation to large-scale catalytic projects, land banks have been able to leverage their investment with private, public, and philanthropic funding.

Decrease municipal service expenses: VAD properties are a drain on municipal services, such as code enforcement, fire, and police. When land banks become the steward of the properties, and eventually dispose to a responsible owner, those municipal service costs are decreased.

Increase health and wellbeing: Addressing VAD properties can lead to decreases in crime, and increases in wellbeing and personal and public health.

Improve quality of life: Land bank impacts are not just economic. They increase civic engagement and alter perceptions of the neighborhood, leading to pride and increased feelings of confidence in the trajectory of neighborhoods.

Ten land banks operating in New York State were able to leverage \$77 million in private investment; including \$13 million in local and county government funds, and \$10.5 million in other grants from public, philanthropic and private partners.³



*The Lucas County Land Bank in Toledo, Ohio has established a **\$1.5 million Neighborhood Justice Fund** to support land bank investments that will grow wealth and foster health in Black and Brown communities.*⁴

Emerging Practices in the Field

Land banks address properties in flexible and responsive ways, driven by the outcome that best meets the community's goals. This flexibility allows for innovative partnerships and responsive actions to emergent community needs.

Racial equity and social justice: Land banks across the country are using their powers to advance racial equity and social justice and build community wealth in historically disinvested neighborhoods. They are shaping their

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PROGRESS POINTS



Less than 1% of the properties sold by the land bank in Flint, Michigan went through tax foreclosure again, compared to 57% of the properties sold at the public tax auction.⁵

contracting and purchasing policies to support Minority and Women Owned Business Enterprises, uplifting cultural heritage through creative placemaking programming, leveraging partnerships with organizations that focus activities in previously redlined neighborhoods, committing resources and programming to address the homeownership rate gap in communities of color.

Lasting affordability: Land banks are steering their inventory of VAD properties to help address local housing affordability challenges. Some land banks create intentional partnerships with community land trusts while others use their powers to apply deed restrictions to create permanent affordable housing.

Climate resiliency: As natural disaster events intensify and increase in frequency due to climate change, some land banks are shifting to play a key role in recovery and resiliency, creating more green space to reduce heat and water impacts and addressing storm-damaged properties.

*Hurricane Harvey and rising home prices increased the need for affordable housing options in Houston, Texas. The Houston Land Bank partnered with the City of Houston and the Houston Community Land Trust to **provide over 500 (and counting) new affordable homes for income-limited Houstonians** since its inception.^{6,7}*



- 1 Fontaine, Paul and Mueller, Chris. (2021). "Good Deeds: Community - minded intervention to strengthen the Detroit housing market is working, according to U-M analysis." Available at <https://www.bridgedetroit.com/wp-content/uploads/2021/04/RR-Case-Study-20210225-V11-1.pdf>
- 2 Branas, C. et al. (2011). "A Difference-In-Difference Analysis of Health, Safety, and Greening Vacant Urban Space." Analyzing PHS' greening program impact on health and safety from 1999-2008, researchers found a significant reduction in gun assaults citywide in areas with PHS-greened vacant lots. Additionally, in many of these areas, residents also reported less stress and increased exercise. Available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3224254/>.
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- 4 Lincoln Institute of Land Policy. (2020, October). "Opening Doors: Land Banks and Community Land Trusts Partner to Unlock Affordable Housing Opportunities." Available at <https://www.lincolnst.edu/publications/articles/2020-10-opening-doors-land-banks-community-land-trusts-partner-affordable-housing>.
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- 6 Houston Land Bank. (2021). "History." Available at <https://houstonlandbank.org/about/>.
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Land Banks

Land Banks and Community Land Trusts

Across the country, communities are still struggling with inventories of properties that are causing harm – properties that are vacant, abandoned, or tax delinquent. Many of these properties are underwater in value – meaning the amount of delinquent taxes, liens, and property repairs are more than what the property is worth.

These same communities also need quality affordable housing. Rehabbing existing structures or building new units to create affordable housing is an arduous task, and taking on the added time, capacity, and cost required to acquire and get clear title to these problem properties can make affordable housing development impractical.

Land banks and community land trusts (CLT) are two entities that, in concert, can unlock a pipeline of problem properties to provide quality affordable housing for current and future generations.

Through special powers granted by state-enabling legislation, land banks can more flexibly and efficiently get control of and transition problem properties than other governmental or nonprofit entities. A land bank can use the property tax and lien enforcement process to proactively acquire a property for substantially less than the amounts due on the property, extinguish past liens, hold property tax-exempt until it is sold, and transition that property to a purchaser for an end use that aligns with community priorities.



Land banks are public entities with unique governmental powers, created pursuant to state-enabling legislation, that are solely focused on converting problem properties into productive use according to local community goals.¹

Community land trusts are nonprofit organizations, governed by CLT residents and nonprofit and public representatives, that provide permanent community control of land and affordable housing.²

How are land banks and CLTs different yet complimentary?

	LAND BANKS	COMMUNITY LAND TRUSTS
What they do	Stabilize and revitalize problem properties, guided by local community goals	Primarily, but not exclusively, supports local community goal of lasting affordability
How they are structured	As a public entity with limited governmental powers	As a private nonprofit
Who governs them	Board defined by statute or local ordinance, usually a mix of elected and public officials, professionals with relevant subject matter expertise, and community representatives	Tripartite board including CLT residents, community residents, and nonprofit and public representatives
How they get properties	Through special acquisition powers via state-enabling legislation (generally through tax or lien foreclosure, no eminent domain)	No special acquisition powers although nonprofit status may allow for some preferred access
How long they own properties	Generally short term, but able to hold long term	Perpetual ownership of the land
How they sell properties	Sell property in a diligent, yet expedited manner for flexible price to achieve community outcomes	Sell structure only to income qualified buyer while land ownership remains with CLT

Learn More about land banks at communityprogress.org/land-banks

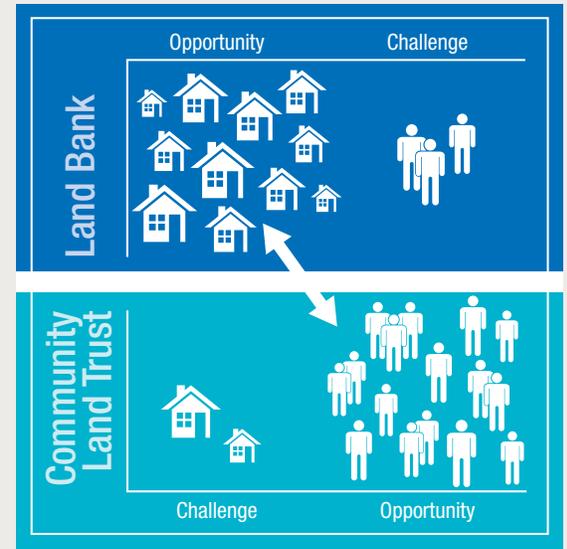
PROGRESS POINTS

This approach offers an important alternative to a traditional tax foreclosure sale, prioritizing best local outcome over highest offer. Many communities have identified long-term affordable housing as a priority, which creates an ideal opportunity for a land bank to sell property to a CLT.

Although many variations on the model exist, CLTs most often focus on providing permanent affordable housing. CLTs are different from other nonprofit affordable housing developers in a few ways, but most critically, a CLT separates the ownership of the land and structure. The CLT retains ownership of the land and enters into a 99-year renewable ground lease with the homeowner. The homeowner purchases the structure on the land at a subsidized price, pays the mortgage on the structure and is responsible for maintenance of the land and structure.

The CLT ground lease places limits on the future sales price of the property, while also providing an opportunity for owners to build wealth from the home sale, so that the home remains accessible to low- and moderate-income homebuyers at an affordable rate in perpetuity. Typically, the development, rehab, or purchase of CLT homes is subsidized through public or philanthropic funds, and this subsidy stays with the property forever, underwriting the purchase price again and again for generations of owners.

Critical for its success, CLTs offer many pre- and post-home-purchase services to their homebuyers, such as pre-purchase counseling, down-payment assistance, and foreclosure prevention to name a few.³ Such long-term “stewardship” services fall under the category of “perpetual responsibility,” one of the key features of the classic CLT model.



Land banks and CLTs address each other's challenges by pairing a land bank's ability to acquire and get clear title quickly and inexpensively with a CLT's pipeline of qualified home purchasers.

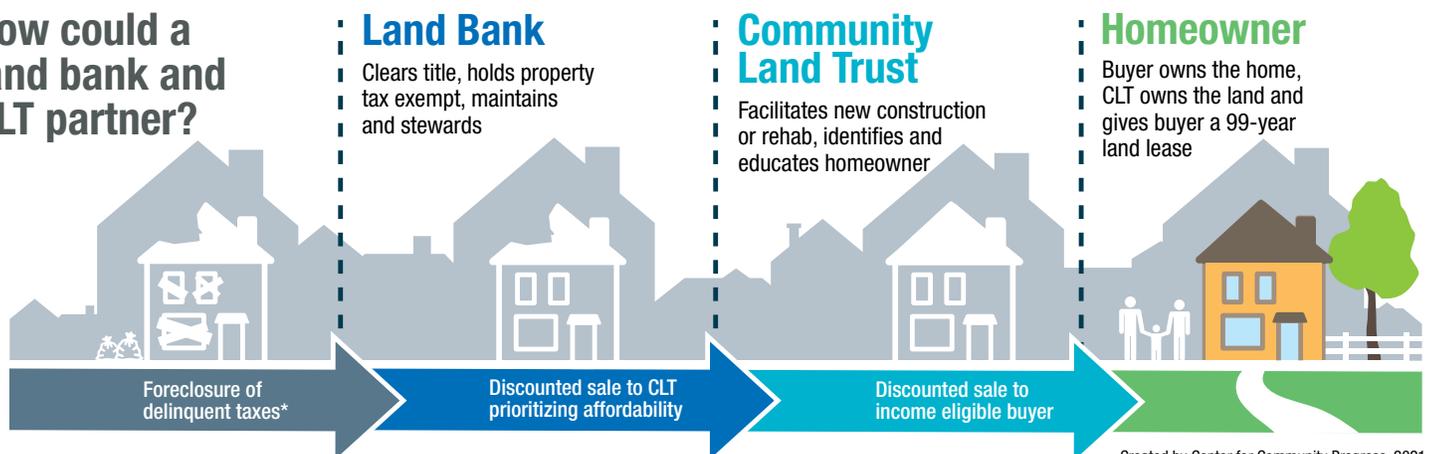
This powerful partnership can foster lasting affordable housing and neighborhood stability. Some land banks and CLTs work together to proactively identify properties to support mutual goals. These partnerships are an emerging practice across the nation. Places like Albany, New York; Atlanta, Georgia; and Columbus, Ohio have already pioneered successful partnerships.

¹ Land banks support a wide variety of local goals beyond affordable housing like commercial property and economic development, open space creation, environmental remediation, and neighborhood quality of life improvements. For more information about land banks, visit communityprogress.org/land-banks.

² Many community land trusts also support permanent community control through commercial projects, open space creation and protection, and agricultural work, however, the focus for many community land trusts is affordable housing. For more information about community land trusts, visit groundedsolutions.org.

³ Community land trust loans foreclose less frequently than traditional mortgages. CLT's supportive services are an important factor in homeownership success. See Lincoln Institute of Land Policy. (2010, October). "Outperforming the Market Delinquency and Foreclosure Rates in Community Land Trusts." Available at <https://www.lincolnst.edu/publications/articles/outperforming-market>.

How could a land bank and CLT partner?



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* While property tax and lien enforcement processes are the most common method, dependent on state law, land banks may also acquire properties through a variety of mechanisms such as governmental transfer, donation, property swap, and private market purchase.

Learn More about land banks at communityprogress.org/land-banks