

# Land banks:

## Improving communities, improving the economy

**P**ennfield Charter Township has seen an increase in vacant and abandoned property over the last few years,” said Supervisor **Rob Behnke**. “With the downturn in the economy, we have seen more and more individuals within the township walk away from their homes. This, in itself, has been a challenge for Pennfield Township.”

Dilapidated, hazardous residential structures. Vacant lots of insufficient size to promote independent development. Emptied out, crumbling commercial buildings. While headlines so often focus on the scourge of blight in cities, it’s no secret that many townships in Michigan find themselves with increasing numbers of vacant and abandoned properties.

The impact of population declines, outmoded housing stock and other factors are felt from the largest township in Wayne County to the smallest in Houghton County. The scale and costs of blight, in absolute terms, are far different in townships than in cities, but the threat to quality of life and neighborhood stability is much the same.

Sites that are vacant or uncared for attract illegal dumping and stripping, increase the number of fire and police calls, add to mowing and snow removal costs, and may end up in tax foreclosure, resulting in an increased cost

to the local unit of government. They are unattractive to prospective buyers and give nearby owners less incentive to keep up with their own property maintenance. Altogether, this hurts local housing markets.

The data on impact are startling, but perhaps not surprising. A 2011 Federal Reserve Bank of Cleveland<sup>1</sup> study found that vacant and tax delinquent properties lower the value of surrounding properties within 500 feet by 2.1 percent. If a vacant property is also in foreclosure, the negative effect on surrounding property values jumps to 9.4 percent.

When local markets suffer, so do local government services, which are reliant upon property taxes. As a result of tax foreclosure, many vacant and abandoned properties end up in the hands of the county treasurer. It’s a growing problem. Between 2006 and 2013, tax foreclosures increased from 10,467 to 30,075 statewide, according to the state Department of Treasury.



**For both urban and rural townships, there are opportunities to partner with land banks to address abandoned properties. ... The appropriate role on any given property depends on the township's capacity, goals and priorities, the land bank's capacity and array of programs, and the options available for the land itself.**

Despite worrisome trends, there is good news. Michigan has a well-established tool that can help townships and other municipalities address vacancy and abandonment: land banks.

“As townships are addressing their issues with blight and/or planning community or economic development projects, the land bank can be a valuable partner in those efforts,” said Christine Schauer, board chair of the Calhoun County Land Bank Authority.

#### **What is a land bank?**

Land banks are public authorities that specialize in the acquisition of vacant, abandoned, and/or tax delinquent properties. They do so with the intention of either immediately returning these properties to productive use, or holding and maintaining them for the purpose of stabilizing distressed markets or fulfilling long-term land use goals.<sup>2</sup> A land bank exists to “live and breathe” vacant and problem property reclamation. Thoughtfully executed, land banking can resolve some of the toughest barriers to returning land to productive use, helping to unlock the value of vacant and problem properties as assets in community revitalization.

In 2003, the Michigan Legislature passed Public Act 258, which created the Michigan Land Bank Fast Track Authority. It also allowed counties acting as the tax foreclosing governmental unit and the City of Detroit to create land bank authorities through intergovernmental agreements with the Michigan Land Bank Fast Track Authority. With a goal of strengthening Michigan's economy, the Legislature endowed land banks with special and distinct powers, including the ability to hold properties tax exempt, expedite quiet title action, dispose of property for less than fair market value, and establish all land bank-owned properties as brownfield-eligible sites. These powers provide a unique opportunity for townships to better address challenging and chronic issues of blight and abandonment.



Courtesy of the Calhoun County Land Bank

Land bank projects, like the one above in Calhoun County, can help turn a dilapidated, unusable lot into open space or a community garden.

While all land banks exist to serve the same primary purpose of acquiring vacant and problem properties and returning them to productive use, they are quite diverse in their structure and operations. Currently, Michigan has 39 operating land banks and they vary greatly in the type of region and economy they operate in, size of their inventory, capacity, legal authority, goals, and programs. Despite this diversity, there are some common traits in programs that are the most successful, including the following<sup>3</sup>:

- **They connect to the tax collection and foreclosure process.** The tax foreclosure process can effectively supply a source of inventory for land banks. This is particularly true in communities where intergovernmental agreements are in place for a land bank to acquire properties at little to no cost and where the primary cause of problem properties is tax delinquency and/or an ineffective tax foreclosure process.
- **They are scaled in response to local land use goals.** A land bank's disposition strategies directly help achieve the goals set by the land bank board and support local land use goals. As a result, land banks are often authorized to transfer ownership for a range of compensation, not simply for the highest cash bid or market value.
- **They are policy-driven and transparent in policies and transactions.** Property acquisition and disposition—especially properties that may have long been eyesores and harmful to a community—is an important, but also sensitive, endeavor. Therefore, there is a great need to build trust with the public through complete

transparency in the establishment of priorities, policies, and procedures that govern all actions of a land bank.

- **They seek community engagement and partnerships.** There is no substitute for engaged community stakeholders who understand the community's history and goals, can help prioritize interventions, and can participate in executing the solutions.
- **They operate maintenance programs.** Whether conducted by land bank staff or through external partnerships, property maintenance makes sure vacant lots are “good neighbors.” Maintenance programs might include workforce development components, or adopt-a-lot options for willing stewards.
- **They align with other tools and programs.** Because a land bank is a tool to support locally developed goals, and is not a goal in and of itself, it is important to coordinate with other tools and programs also targeted at achieving the same goals. Land bank strategies should align with tax collection, code enforcement and redevelopment strategies.

Land banks are not the be-all, end-all of blight elimination. Even with coordination, it can be an uphill challenge. Land banks are often the owners of last resort, meaning that they acquire long-vacant properties for which there is no market demand. Funding is limited. Inventories of property with little market demand are growing. As a result, land banks do struggle to develop and sustain innovative methods of acquiring, maintaining and disposing of properties.

Because of these limitations, strategic partnerships with local governments, developers and community groups are all the more important—and can yield positive results for townships that otherwise wouldn't happen.

## Land banking in townships

“Townships and villages are just as important to the land bank as cities,” said Tim Burgess, executive director of the Muskegon County Land Bank Authority, “Blight and

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vacant property problems do not have boundaries. It is a problem throughout the county. They are less concentrated in townships than in cities, but that does not make the problem any less real to those who reside there.”

Land banks are commonly associated with urban cores but, as Burgess points out, townships can benefit from the programs they offer—and many are already doing so.

The 39 Michigan land banks exist to meet the unique needs of their communities. And while Marquette County’s land bank is different from Muskegon County’s and Calhoun County’s land banks, for example, each have used their unique tools to acquire, rehabilitate, demolish and dispose of vacant and abandoned properties to benefit their townships. These projects range from the redevelopment of residential housing to the demolition of a vacant school to land assembly and new construction.

Land bank officials express a commitment to assisting townships within the counties they serve. “A regional approach by the Calhoun County Land Bank Authority makes sense because blight is a regional problem,” Schauer explained. “Often, townships are a part of what is viewed as a larger metropolitan area, and also may be a part of a gateway into a city. It is somewhat of a symbiotic relationship. If the townships are attractive and prosperous, it can breed prosperity in the city and vice versa.”

For both urban and rural townships, there are opportunities to partner with land banks to address abandoned properties. For example, after acquiring a property, the land bank may manage the process of demolishing the existing structure, facilitating intermediate reuses of the parcel, and finally securing permanent redevelopment. At other times, the land bank may play a simple transactional role, working with a township to assemble land for future redevelopment, while the township then sees the project through to completion. The appropriate role for the land bank and township on any given property depends on the township’s capacity, goals and priorities, the land bank’s capacity and array of programs, and the options available for the land itself.

### Why would a township partner with a land bank?

The services and opportunities that land banks can offer local governments include:

#### To demolish vacant eyesores and spur redevelopment

In 2010, the Marquette County treasurer foreclosed on a former school located in **Ishpeming Township** and demolished the building. It had been vacant since the 1990s with little market demand.

“The township supported the demolition of the vacant school because of the benefit to the surrounding residents,” explained **James Nankervis**, Ishpeming Township supervisor. “The property was turning into an eyesore. It was an opportunity to build new homes and bring in new families to our community.”

Marquette County utilized its first right of refusal to purchase the property and transferred it to the county land

## Building a land bank-township partnership to move revitalization efforts forward

Says Christine Schauer of the Calhoun County Land Bank Authority, “Some township officials may not be aware of the tools the land bank can bring to the table. I would encourage township officials to contact their area land bank office to see if there is a partnership opportunity there.”

Here are some steps to take:

- **Set up a meeting with your county land bank.** Do not wait for your land bank to reach out to you. If you have ideas on how you think you can partner with them, don’t wait!
- **Contact your county land bank to determine if they currently own any properties within your township,** or contact your county treasurer to determine if any properties in your township are facing tax foreclosure.
- **If your county does not have an established land bank, the Michigan Land Bank Fast Track Authority may be able to provide services to your township.** For more information on the authority, visit [www.michigan.gov/landbank](http://www.michigan.gov/landbank).
- **Educate yourself on land bank tools.** This can help you to better understand how a land bank could assist your township in your revitalization efforts. A good place to start is by downloading a free copy of *Land Banks and Land Banking on Community Progress’* website, [www.communityprogress.net](http://www.communityprogress.net), or attending regional Michigan trainings and/or conferences that highlight land bank work.



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bank authority for the amount of back taxes owed at the time of foreclosure. The county land bank authority then coordinated and funded the demolition of the school, obtained title insurance on the property, and subdivided the parcel into 12 individual lots. Ishpeming Township funded 50 percent of the sewer extension through the site, which enabled the county land bank to partner with Habitat for Humanity to develop three single-family homes. Habitat for Humanity currently has a purchase agreement on a fourth lot. Two other lots were sold to adjoining property owners and one lot is being held as open space for residents. The remaining five lots are for sale to the public.

“The land bank authority was able to remove a dangerous building and in its place provide for new home construction. Potentially, this area could see nine new homes with a small amount of open space that the neighborhood can enjoy,” said Anne Giroux, Marquette County Land Bank chair.

The Marquette County Land Bank Authority continues to work collaboratively with local government to find the best way to return tax foreclosed properties to the tax rolls. In addition to demolishing property in Ishpeming Township, it is working with **Champion Township** and **Tilden Township** to demolish blighted buildings.



After a long-vacant school building was demolished in Ishpeming Township (Marquette Co.), the property was divided into 12 lots. Three homes have been built by Habitat for Humanity, with a fourth on the horizon.

## To free up tax-foreclosed properties for productive use

In **Dalton Township** (Muskegon Co.), the land bank worked with the township to acquire tax-reverted 25-by-100-foot vacant lots that cycled through several tax foreclosures. The goal was to move these properties back into the hands of responsible land owners and put them into productive use. In some cases, that meant disposing of the property to an adjacent homeowner and in other cases, holding the property long term for future land assembly.

Since 2008, the land bank, in partnership with the Muskegon County treasurer and Dalton Township, has transferred nearly 20 parcels of tax-reverted property to the township. Utilizing the authority of the county treasurer to bundle tax-reverted properties at auction, the Muskegon County Land Bank became the owner of last resort and disposed of the vacant lots to Dalton Township, which is assembling the properties for future redevelopment.

## To support property rehabilitation

Land banks can target property acquisition and create strategies that support a township’s land use plans, including the rehabilitation of residential properties to provide safe housing choices for residents. In 2013, the Calhoun County Land Bank acquired a bank-foreclosed home in Pennfield Charter Township through a donation. The property was located in a desirable school district, but the neighborhood was seen by some as nearing the “tipping point,” meaning it may soon slip into decline.

“This property was one that could continue to play a positive role in the neighborhood,” Behnke said. “Plus, it provided an affordable home to a family that needed one. This was a property that could be rehabilitated in a very positive manner.”

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The rehabilitation of this property, therefore, would assist in stabilizing and strengthening the neighborhood.

Calhoun County Land Bank Authority partnered with Community Action Agency, a local nonprofit, to rehabilitate the property. The land bank acquired the property, funded the holding costs, including insurance, utility bills and lock changes, and marketed the property with a local realtor, requiring owner occupancy for five years. Community Action Agency coordinated rehabilitation, which included covering rehab costs and managing volunteers. The home was updated with new paint, carpet and laminate flooring, kitchen cabinets and appliances, several windows and screens, a storm door, furnace, water heater, flooring, and updated plumbing.

Ultimately, a first-time homebuyer purchased the rehabbed home. As outlined in the initial agreement, the sales proceeds reimbursed the Calhoun County Land Bank and Community Action Agency for rehab and holding costs. Additional proceeds were split between the two entities, with 80 percent given to Community Action Agency and 20 percent to the Calhoun County Land Bank for future projects.

Pennfield Charter Township played a supportive role in the project. Behnke explained, “Especially with residential properties that could become a problem in the neighborhood where they are located, we greatly appreciate having the chance to give input on whether a property can be rehabilitated or whether the property needs to be demolished.”

The Calhoun County Land Bank and Pennfield Charter Township plan to partner on future projects, including residential and commercial demolition.

“We hope to continue to partner with the land bank as they continue to obtain properties within our township,” noted Behnke. “Having input on the future of a property will always be a positive for both the township and the residents we serve.”



**Courtney Knox**, Associate Director of Michigan Initiatives, Center for Community Progress, Flint

For more information, contact Knox at (877) 542-4842 x 20 or [cknox@communityprogress.net](mailto:cknox@communityprogress.net), or visit [www.communityprogress.net](http://www.communityprogress.net)

**Footnotes**

- <sup>1</sup> Stephen Whitaker and Thomas J. Fitzpatrick IV (2011). *The Impact of Vacant, Tax-Delinquent and Foreclosed Property on Sales Prices of Neighboring Homes*. Federal Reserve Bank of Cleveland.
- <sup>2</sup> Modified definition from Alexander, F.S. (2011). *Land Banks and Land Banking*. Center for Community Progress.
- <sup>3</sup> Bullet points taken from Center for Community Progress (2014). *Land Banks and Land Banking Policy Briefs*. Center for Community Progress.



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