

Land Banks Redevelopment & Housing

Michigan Land Bank Authority

10-18-19

Glendale School
01 October 2018







UP'S
BUSINESS
BUY HERE

FOR SALE
CALL 303-277-XXXX

FOR SALE







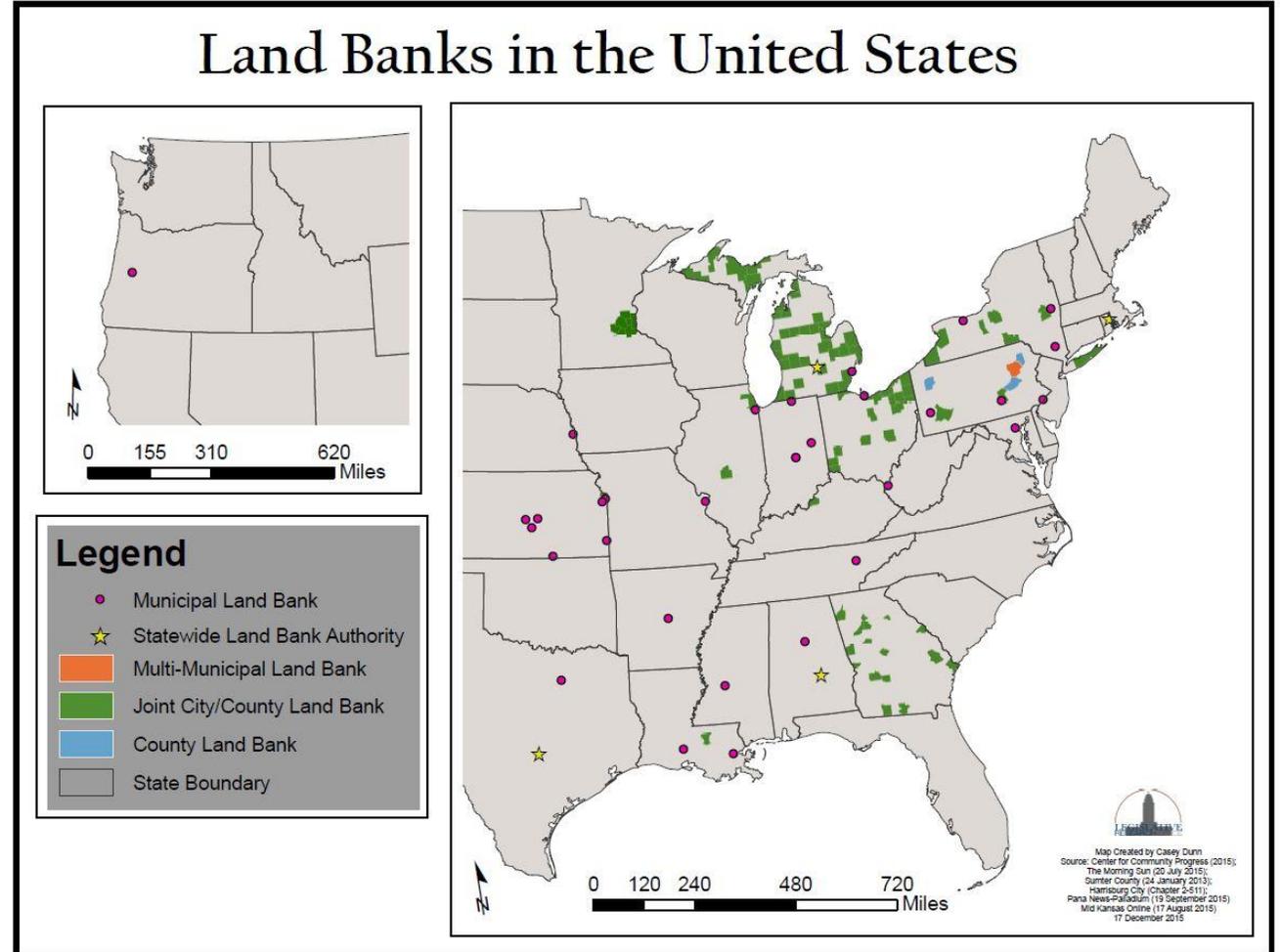
Michigan - Enabling Legislation

- Land Bank Fast Track Act
 - Act 258 of 2003
- Tax Reverted Clean Title Act
 - Act 260 of 2003
 - 5/50 Act
 - Exemptions
- The General Property Tax Act
 - Act 206 of 1893: 211.7gg
tax exemptions for land banks

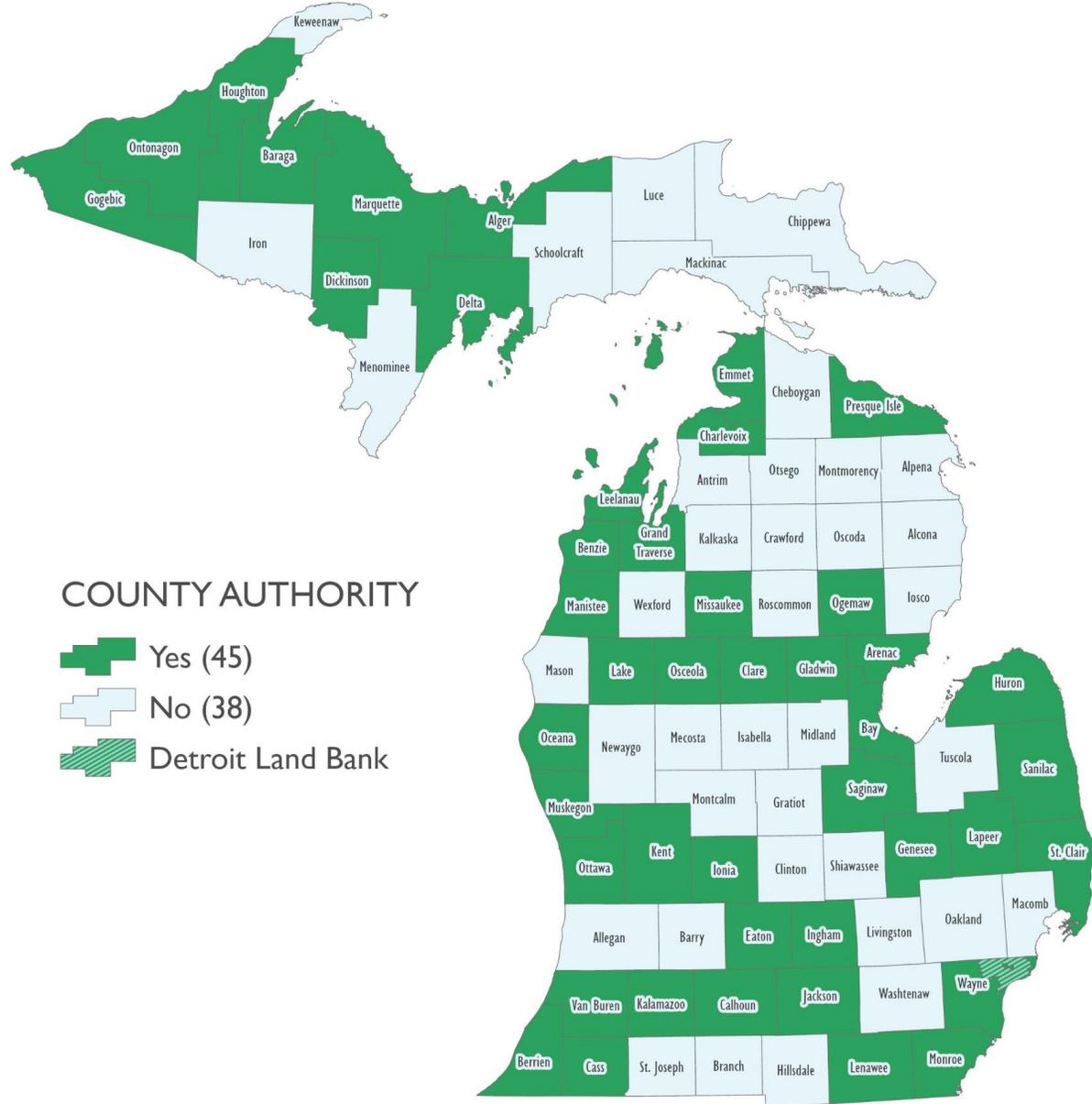


Land Banks are not new...

- St. Louis 1971
- Cleveland 1976
- Louisville 1989
- Atlanta 1991/2012
- Genesee 2002
- Michigan 2003
- Cuyahoga 2008
- New York 2011
- Georgia 2013
- Connecticut 2016



Local Land Banks



COUNTY AUTHORITY

-  Yes (45)
-  No (38)
-  Detroit Land Bank



The Issues

- Communities have limited or no capacity – especially out-region/state.
- Cost profile for workforce housing is too high for developers to deliver at prices/rents for the target markets.
- The State financing programs – at full expenditure – cannot meet the actual demand.
- There are not enough small-scale developers, while most projects are too small to meet production developers' overhead costs.
- The housing markets have shifted in product choice and there are not enough communities/neighborhoods with a mix of types, ranges, and tenures.
- Housing is a top-5 or top-3 need for economic development.

The Approach

- Help local collaborations organize – fill in to play role(s) as necessary.
- Solicit the market for a developer. If found, facilitate the project.
- If not, assume the developer role.
 - Identify the target markets.
 - Review/select the product(s) – type and mix.
 - Feasibility analysis & proforma – run, iterate, and decide.
 - Land plan – entitlement - execute.
- Program Support
 - Act 258/Act 381 Relationship using Redevelopment TIF
 - MLB Redevelopment Loans to Local Land Banks/Municipalities.
 - Link to other State agencies and their programs.

Statutes Collaborating for Redevelopment

Land Bank Act (PA 258 – 2003)

- Authorizes counties to establish land banks.
- Prescribes LB powers to operate, own, manage/maintain & improve.

Brownfield Act (PA 381 – 1996)

- Authorizes counties to establish brownfield authorities.
- Prescribes BRA powers to operate, own & finance.

Legislative history clearly demonstrates intent to link these statutory powers to broaden and promote economic development.



Land Banks & Brownfied-Eligible Properties

Blighted - MCL 125.2652(c)(vi)

Is property **owned by or under the control of a land bank fast track authority**, whether or not located within a qualified local governmental unit.

Tax Reverted – MCL 125.2652(p)(iii)

Is tax reverted **owned by or under the control of a land bank fast track authority**.

** Includes parcels that are adjacent or contiguous to that property if their development is estimated to increase the captured taxable value of that property.*



Land Banks & Brownfield-Eligible Activities

ALL Eligible Properties:

1. Environmental Assessment/Due Care
2. Relocation of Public Buildings/Operations for Economic Development Purposes
3. Environmental Insurance
4. Plan Preparation
5. Plan Implementation
6. Demolition
7. Lead/Asbestos/Mold Abatement
8. Reimbursement of Principal & Interest

Eligible properties in a qualified local unit of government, economic opportunity zone, or a former mill:

9. Those described above
10. Infrastructure improvements that directly benefit eligible property
11. Site preparation that is not a response activity

Eligible properties owned by or under the control of a **land bank** or qualified local unit of government or authority:

12. Those described above
13. Assistance to a land bank fast track authority in **clearing** or **quieting title** to, or **selling** or **otherwise conveying**, property owned by or under the control of a land bank fast track authority or the **acquisition** of property by the land bank fast track authority if the acquisition of the property is for economic development purposes.
14. Assistance to a qualified local governmental unit or authority in clearing or quieting title to, or selling or otherwise conveying, property owned by or under the control of a qualified local governmental unit or authority or the acquisition of property by a qualified local governmental unit or authority if the acquisition of the property is for economic development purposes.





Housing Subsidy as TIF-Eligible Activity

- “Assistance...**in selling or otherwise conveying**...property owned or under control of a land bank fast track authority...”

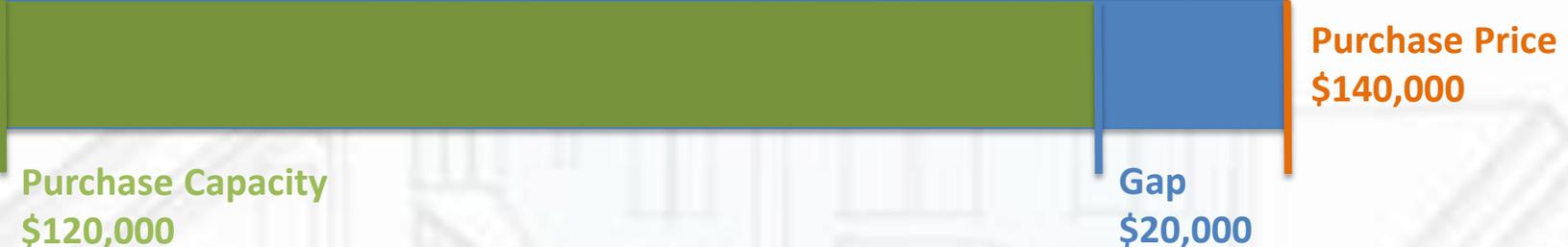
Cost of unit Construction/Rehabilitation	\$140,000
Qualified Purchaser – First Mortgage	120,000

Unfunded Gap	\$20,000

- To sell the unit, a concession of value (subsidy) is required.
- The Concession is “assistance in selling” and therefore TIFable.



How Might This Work?



Purchase Capacity
\$120,000

Source – 1st Mortgage

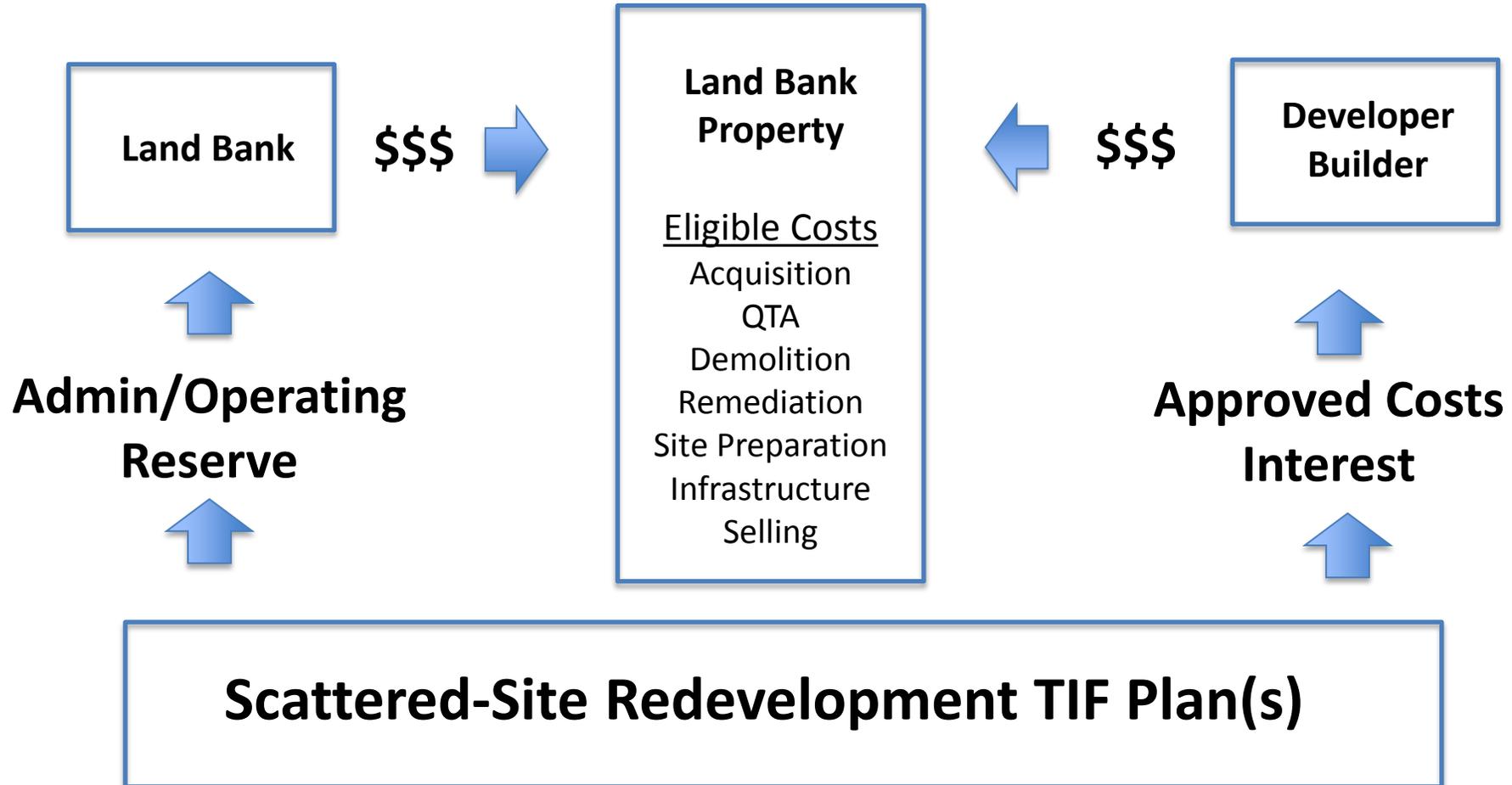
Gap
\$20,000

Source – 2nd Loan

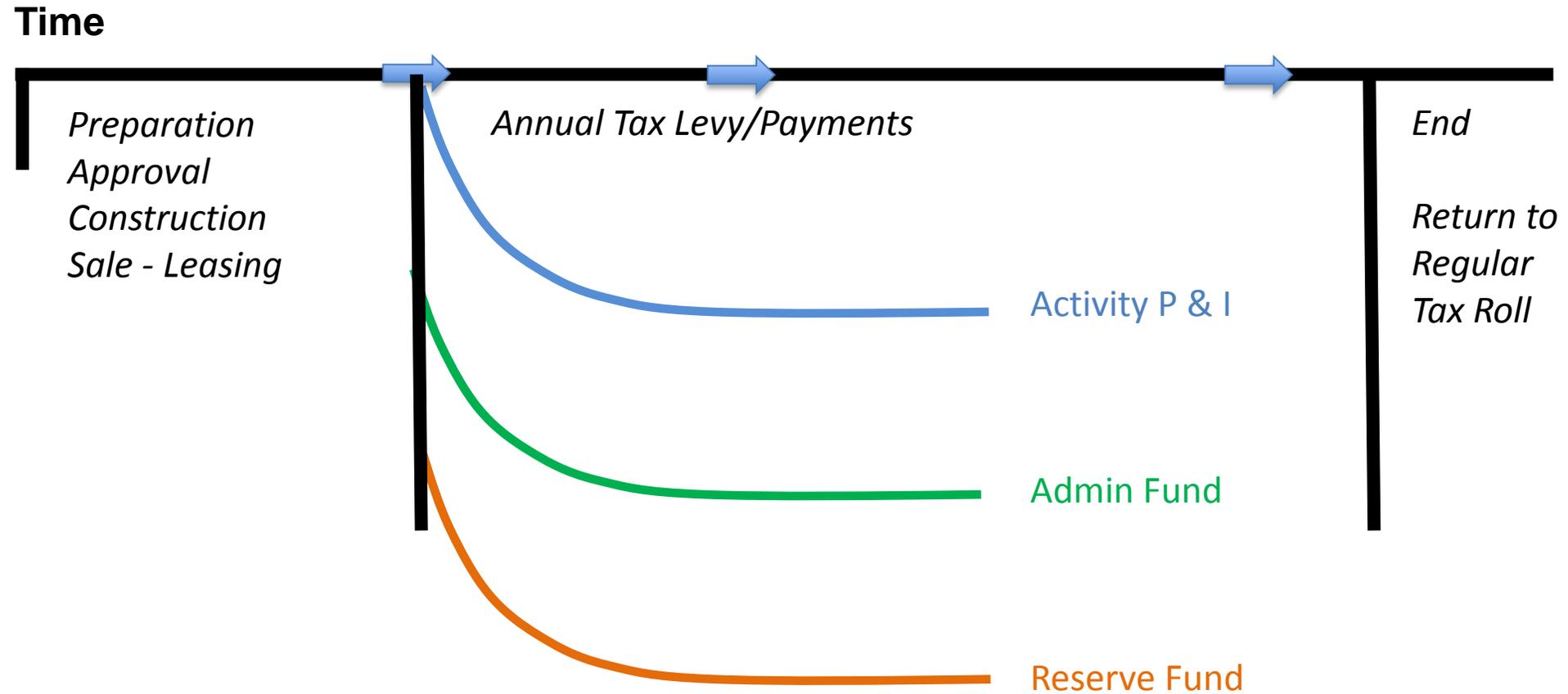
The future property taxes paid by owner are 'captured' by the approved TIF plan and re-directed to make payment to this source.



TIF Financing Mechanics



Brownfield TIF Cashflow





Example Project

Redevelopment Costs



Phase I ESA	\$3,000
Demolition	\$4,500
Utilities	\$3,500
Site Excavation/Grading	\$4,500
Site Engineering*	\$3,500
Contingency (15%+)	\$1,000

Subtotal	\$20,000
Seller Concession	\$15,000
Plan Preparation	\$5,000

TOTAL	\$40,000

Act 381 Redevelopment TIF Projections

As-Built Value (TC): \$372,000
 Assessed Value (50%) \$186,000
 Local Millage (2018): 19.0846

County/Local BRA TIF

Local-Only Capture

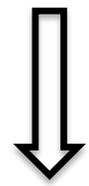
Payoff in 15 Years

ADD 5 Years Reserve - 20 Years

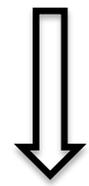
Principal amount to be reimbursed from Table One					40,000
YEAR	RATE	Annual PMT	INT	PRIN	BALANCE
Payment					40,000
2020	3.00%	4,007	1,200	2,807	37,193
2021	3.00%	3,550	1,116	2,434	34,759
2022	3.00%	3,603	1,043	2,560	32,199
2023	3.00%	3,657	966	2,691	29,508
2024	3.00%	3,712	885	2,827	26,681
2025	3.00%	2,768	800	1,967	24,714
2026	3.00%	2,824	741	2,083	22,632
2027	3.00%	2,881	679	2,202	20,429
2028	3.00%	2,940	613	2,327	18,102
2029	3.00%	2,999	543	2,456	15,647
2030	3.00%	3,059	469	2,589	13,057
2031	3.00%	3,120	392	2,728	10,329
2032	3.00%	3,181	310	2,872	7,458
2033	3.00%	3,244	224	3,020	4,437
2034	3.00%	3,308	133	3,175	1,263
2035	3.00%	3,372	38	3,335	-2,072

Building a Redevelopment Business Model

Project #1:	EA P&I	Admin/Op	Reserve
Project #2:	EA P&I	Admin/Op	Reserve
Project #3:	EA P&I	Admin/Op	Reserve
Project #4:	EA P&I	Admin/Op	Reserve
Project #5:	EA P&I	Admin/Op	Reserve

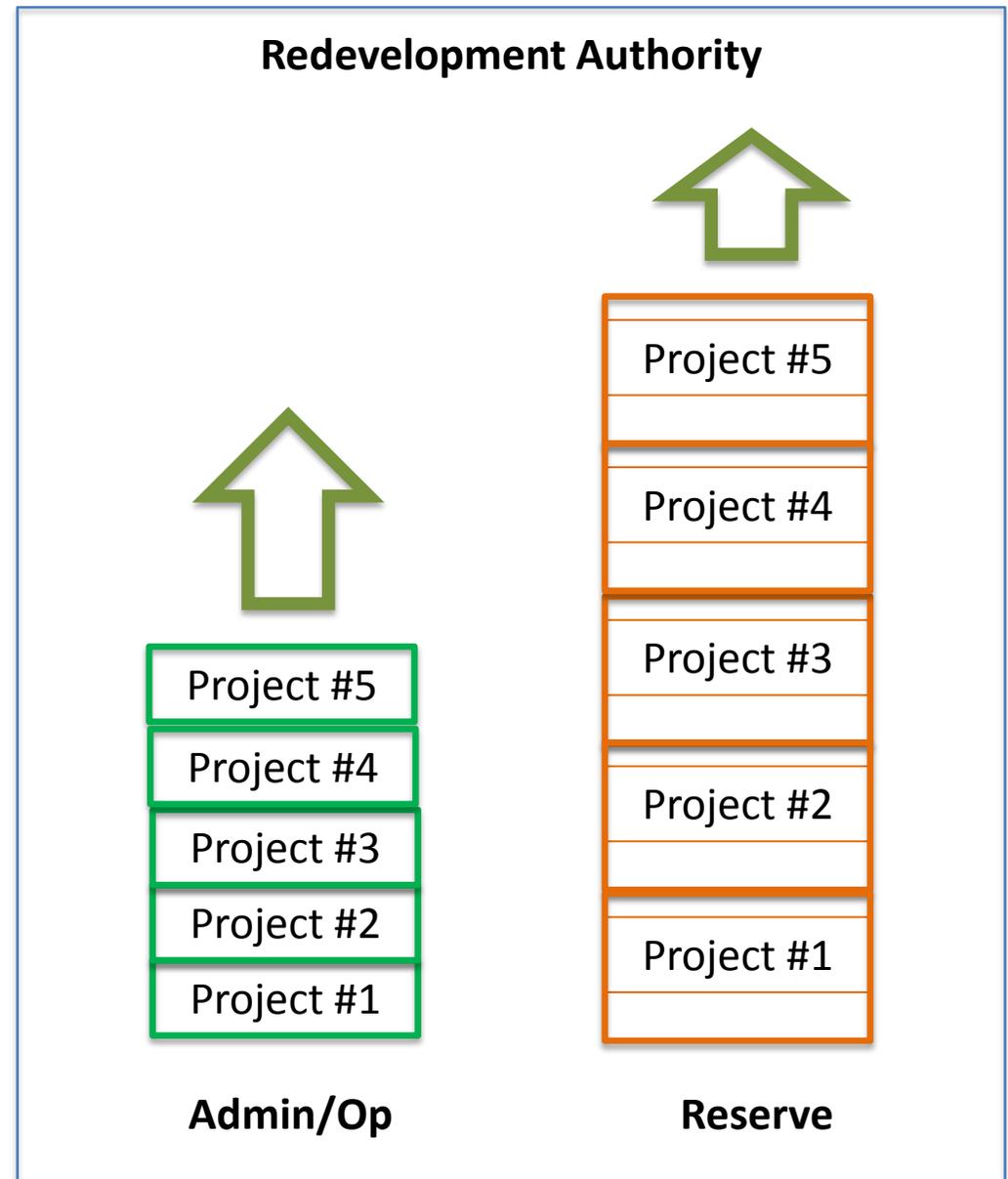


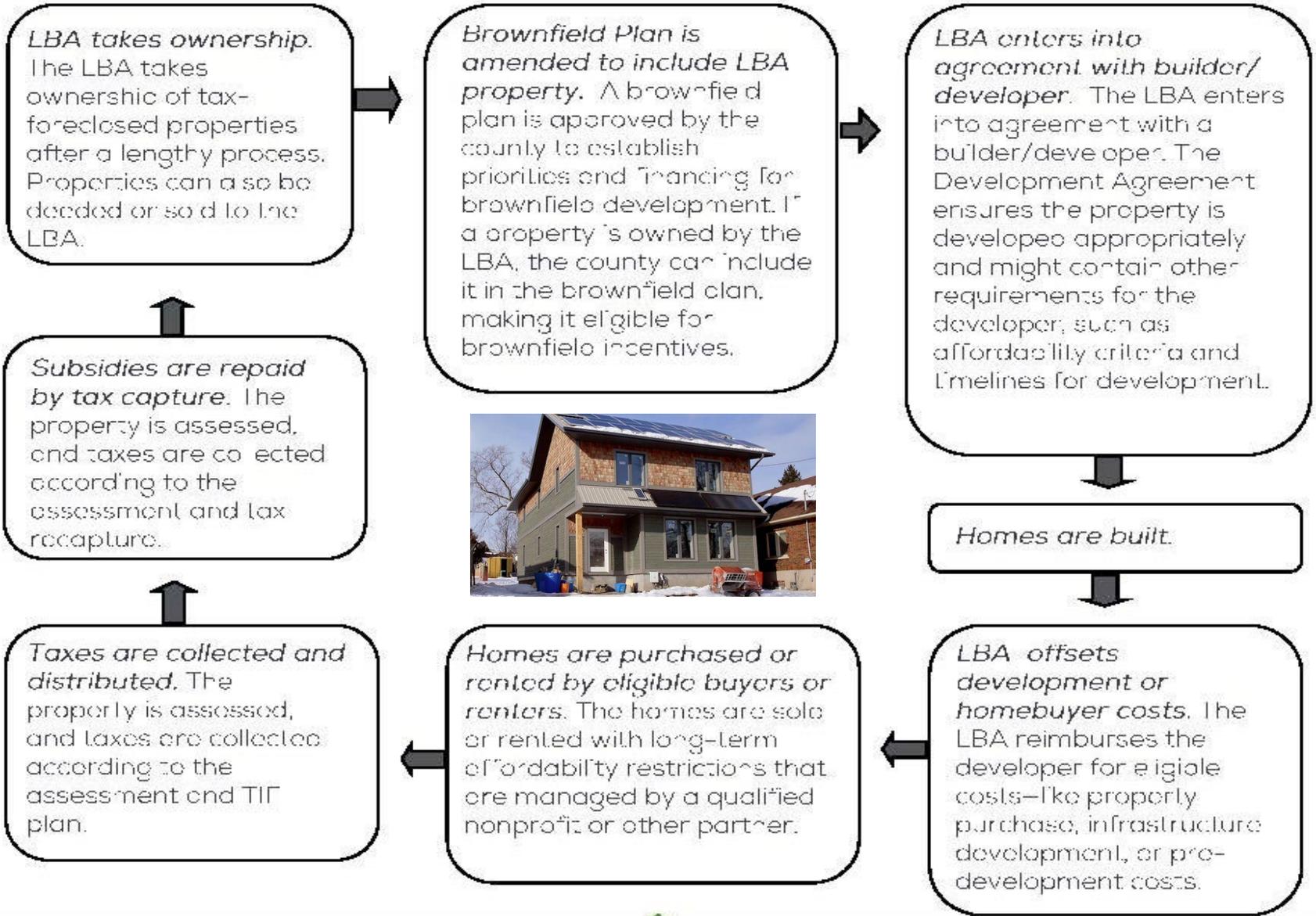
Expanding Number of Projects



Project X:	EA P&I	Admin/Op	Reserve
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Grow Revenue by Growing Projects...





Neighborhood decline with abandonment and neglect

Expensive repairs don't happen - it's cheaper to walk away

Locals can't get loans to reinvest in area because costs can't be recouped

Redevelopment would stabilize area and support infrastructure improvements

But area is run-down so property values and rents are low



TIF fills gap between repairs market can and cannot support

Increased property tax revenue is used to pay off cost of TIF repairs

Easier for locals to get loans and reinvest in the neighborhood

Major repairs to buildings and infrastructure take place

Property values and area rents increase



Status Board 10-18-19

Active	Exploring	Intrigued
Muskegon Romulus Monroe Marquette Highland Park Adrian Muskegon Heights Oscoda Township Marlette Boyne City Harrisville Owosso Beaverton Manistee Traverse City	Bay City/County Calhoun County Ontonagon Village Emmet County Wayne County LB Ingham County LB Charlevoix County West Branch Bessemer Munising Alger County Grayling Crawford County Three Rivers Kalamazoo	Alpena Gogebic County Chippewa County Cheboygan County Lansing Otsego County Huron County Ecorse River Rouge Leelanau County Kalamazoo County Ionia Gladwin Hillsdale Vernon Mancelona





Recycling land to productive reuse