



Will Interest in Land Banks Continue to Grow?

Summary: A new law amends the statutory language of the land bank law to allow redevelopment authorities to carry out the functions of a land bank, which is a public entity that is empowered “to facilitate the return of vacant, abandoned and tax-delinquent properties to productive use.”

When we first wrote about land banks in 2014 there were four in existence in Pennsylvania. Today there are 22. The ones that have been operating for a few years have been quite active—last year’s annual report for the Westmoreland County Land Bank (created in December 2013) shows that 91 properties had been acquired and 55 sold since 2014; in 2017 the land bank in Schuylkill County (created in September 2015) earned \$46,000 from property sales according to its audit; and as of last year the Philadelphia Land Bank (created in December 2013) had over 2,000 properties worth \$25 million held for sale.

Operating expenses ranged from a low of \$27,000 in Lackawanna County (created in June 2015) to over \$2.6 million in Philadelphia. A review of audits shows that the majority of expenses are related to administrative, accounting, advertising, insurance and legal functions. The source of operating and non-operating revenues are quite varied with membership contributions, foundation and government grants, property sales, and shares of property tax revenues on properties that have been sold and are now producing property tax revenue are present in the statements of revenues, expenditures and changes in net position in the land banks. Land banks submitting audits that did not engage in any activity and did not collect any revenue or expend any funds noted that fact.

Despite the sharp increase in the number of land banks it still takes time and expense to establish one. Initially a local government has to pass an ordinance, the Department of State has to issue a certificate of incorporation and by-laws have to be drafted before the land bank gets involved in thinking about property transactions.

Four years ago we wondered why the task would not be assigned to a redevelopment authority instead of creating another quasi-governmental body. Based on a search of Department of State entities, there are over 100 redevelopment authorities in existence and all of them are dedicated to stemming the growth of blight.

Recently approved legislation now known as Act 33 of 2018 fulfills that by allowing land bank jurisdictions in all counties except for Philadelphia and Allegheny (where there are three land banks total) to designate a redevelopment authority to do the job a separate land bank would perform.

If a redevelopment authority was designated as such, it would have to follow several key provisions of the land bank law, finances would have to be accounted for in a separate fund and in exercising the land bank's powers, a redevelopment authority could not use eminent domain to acquire property. That would still have to come through donation, purchase and by tax sale—and only within the boundaries of the land bank jurisdiction. Real property and income of a land bank are exempt from state and local taxes. It can then dispose of property it holds in a manner determined by the land bank. A redevelopment authority acting as a land bank could be dissolved in the same manner as a land bank currently inasmuch as it applied to the redevelopment authority's land bank designation, not its entire corporate and politic existence.

In many of the operating land banks there is such an interwoven arrangement between the land bank and the redevelopment authority in regards to board membership and staffing that the act in some sense is legitimizing present practices. In the Southwestern Pennsylvania counties of Westmoreland and Washington, for instance, land bank board seats (five of seven in Westmoreland and five of five in Washington) are reserved for the appointees serving on the redevelopment authority board. Both land banks are staffed by employees of the redevelopment authority.

In places where there is no land bank currently, the option of designating a redevelopment authority to do the job could be utilized under the new law. Only 11 counties do not have a redevelopment authority (there may be a municipal redevelopment authority in these counties, however) and in 10 of those there is no land bank. Venango County has a land bank but no redevelopment authority. Its ordinance states that staffing can be provided by contract or memorandum of understanding with a municipality if it does not have its own employees.

Land banks might be a useful tool in helping turn around blighted, run down properties. But in light of the powers they have been given, they must be held to account. The law requires an annual audit and activity report, but what's to ensure that the parties that receive these documents are reading them? Monitoring tax increment financing, the ICA in Pittsburgh and the initial years of the Commonwealth Financing Authority should serve as reminders of the need for follow up.

As part of the reporting requirements there should be metrics that evaluate the success of the land banks. For example, what percentage (or number) of long time tax delinquent run down properties are being returned to the tax rolls? Is the land bank operating efficiently in terms of costs relative to value being produced? Are the land banks financially sound in terms of liquidity and their net asset and cash flow situations?

Finally, are the activities of the land bank successful in improving the neighborhoods where they have acquired property?

The Allegheny Institute will continue to look at and analyze land banks in the future to chronicle successes and note any shortcomings.

Eric Montarti, Senior Policy Analyst

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
