

Land Banks to Revive Shrinking Cities:

Genesee County, Michigan

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Following the decline of manufacturing in the U.S., many cities saw increased depopulation and distressed economies. Cities began to shrink in terms of population, but continued to grow structurally. As people left former industrial centers, property abandonment and housing stock decay took hold. Cities lost valuable property tax revenue and lacked resources to deliver services to residents. Additionally, cities began to struggle with the dual problem of home foreclosures and population decline.

As a result, many municipalities sought creative solutions to efficiently shrink their cities. Faced with few financial resources, municipalities worked with states to allow cities to more easily acquire foreclosed and tax-delinquent properties. Many jurisdictions, including Genesee County, Michigan; Atlanta, Georgia; Baltimore, Maryland; St. Louis, Missouri; and Columbus, Ohio created land banks to efficiently manage abandoned properties for resale and reuse.(Griswold & Norris, 2007; *Revitalizing Foreclosed Properties with Land Banks*, 2009)

Genesee County, Michigan, home to the city of Flint, successfully implemented a land bank strategy. Faced with long-term population loss due to a failing auto industry, Genesee County sought to manage large numbers of abandoned properties that dotted the county. By acquiring foreclosed properties local officials sought to reduce the effects of the foreclosure crisis and deal with longer term issues like high numbers of abandoned properties. The land bank successfully brought up property values in targeted areas, increased property tax revenue, and lessened the effects of abandoned properties.

Land Banks

Cities and counties create land banks if they are plagued with a surplus of abandoned properties. Land Banks allow municipalities to efficiently manage large numbers of abandoned structures to redevelop the properties. This allows local jurisdictions to sell, demolish, and rehabilitate large numbers of abandoned and tax-delinquent properties. (Griswold & Norris, 2007)

States work directly with cities and counties to allow to for tax-delinquent properties to more easily go directly to land banks for faster resale and discourage speculative buying. Land banks typically acquire the majority of their property through foreclosures and donations, though many different models exist.

Genesee County Land Bank

In Flint, Michigan, home to General Motors, the population peaked in the 1960's and began a steady decline in 1980's when auto industry began leaving. As a result, the population (see Figure 1.) and economy of city of Flint deteriorated increasingly, creating huge swaths of abandoned properties. Abandoned, foreclosed, and tax-delinquent properties reduced property values and contributed to Genesee County's weakened economy. (Griswold & Norris, 2007) Additionally, Flint saw service delivery problems due to reduced property tax revenue and wished to reduce the size of the city that required maintenance. Additionally, fire and police services were reduced and created further problems throughout the city.

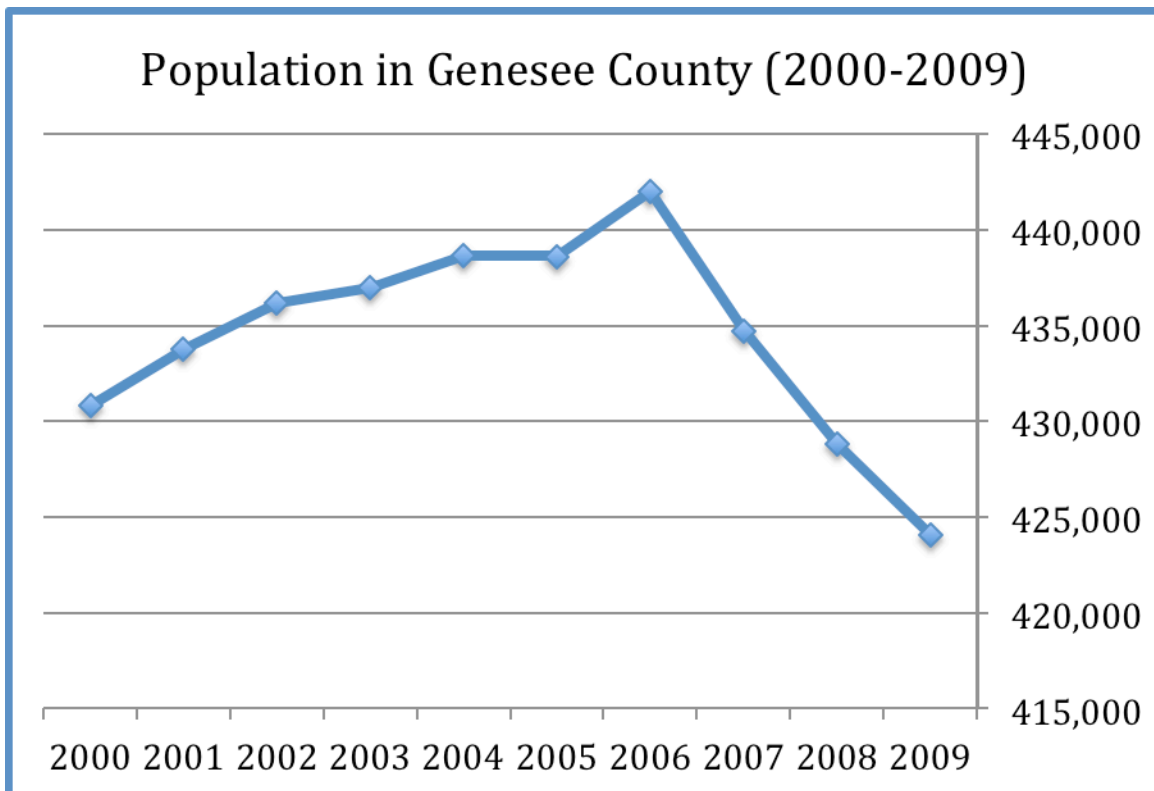


Figure 1.

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Land Bank

Similar issues throughout Michigan propelled the state to make it easier for counties to take control of tax delinquent properties (Young, 2010). The Delinquent Property Tax Foreclosure Act 1999 and Land Bank Fast Track Act of 2004 allowed cities and counties to more easily acquire foreclosed properties and create land banks to manage abandoned properties. Prior to this legislation, there was no way for cities to foreclose on housing. (*Revitalizing Foreclosed Properties with Land Banks*, 2009) The Delinquent Property Tax Foreclosure Act of 1999 did not consider properties that were delinquent prior to 1999, and barriers to foreclosure still existed. With the passage of the Land Bank Fast Track Act of 2004, land banks could acquire property quicker. They were also able to generate funds easier and use tax increment financing to fund Brownfield redevelopment. (Griswold & Norris, 2007)

Following the Delinquent Property Tax Foreclosure Act of 1999, Genesee County created the Genesee County Land Bank in 2002. (Griswold & Norris, 2007). Through the land bank, they county was able to acquire tax delinquent properties through public auction. The land bank could then demolish, renovate, sell, rent properties or develop Brownfields. (*Revitalizing Foreclosed Properties with Land Banks*, 2009)

Acquiring Properties

The Genesee County Land Bank acquires properties through tax foreclosure, donation, or private purchase. (*Revitalizing Foreclosed Properties with Land Banks*, 2009) When a property owner does not paid property taxes for two years, the property is then owned by the state of Michigan. (Griswold & Norris, 2007) If the state declines the property, which it typically does, the deed is then transferred to County Treasurer and goes public auction. The Land Bank will purchase some properties at the minimum bid if the property is seen as valuable. Roughly 20% of the land bank's properties are acquired this way. (Griswold & Norris, 2007) Properties that aren't purchase by private buyers in public auction, are then owned by the land bank. The Genesee County Land Bank can also acquire property through donation or buying them outright. (Griswold & Norris, 2007; *Revitalizing Foreclosed Properties with Land Banks*, 2009)

Programs

The Genesee County Land Bank demolishes, rehabilitates, rents, and sells properties. They also offer side lot transfers. The land bank manages 6,800 properties and owns roughly a third of the abandoned property in Flint. (Cherry, 2011). Additionally, the land bank owns

approximately 10% of the property in Flint, where a majority of the land banks' properties are located. (Young, 2010).

Between 2002 and 2010, the land bank demolished 1,200 structures("Form a Land Bank a Proven Weapon Against Blight is at our Fingertips," 2011). After clearing the lot, they maintain the property or sell the lot to an adjacent owner. Of 6,800 total properties, 4,100 are vacant lots (Cherry, 2011) Vacant Lots are maintained by the land bank, nonprofit, and neighborhood groups. Neighborhood groups are paid \$40 per cleanup and are required to maintain between 25-100 lots yearly. (Griswold & Norris, 2007). Additionally, the land bank offers side lot transfers to neighbors to purchase and maintain. The side lots are sold for \$1 per lot and assessed at market value to provide for property taxes rates. (Griswold & Norris, 2007)

The Genesee County Land Bank renovates roughly 25 to 50 properties a year to sell and rent with the option to buy. The land bank rehabilitates the properties and brings them up to code for private sale or rental. The sold properties average monthly mortgages of \$200 (Cherry, 2011) Since the programs inception, the land bank has sold 2,1000 properties ("Form a Land Bank a Proven Weapon Against Blight is at our Fingertips," 2011). Additionally, the land bank rents many properties to residents in the county. The land bank manages rental property, which creates affordable housing through a type of public housing. The land bank rents roughly 100 rentals at one time, with 20,000 rentals total(Cherry, 2011) Additionally, the land bank develops larger projects like the former Durant Hotel apartments. The land bank successfully renovated a 1920's downtown hotel into apartments in 2010. (Schuch, 2010) More generally, the Genesee County Land Bank has the ability to sell, demolish, or renovate properties throughout the county to reduce the overall impact of abandoned properties on neighborhoods.

Funding

Funding for the land bank comes from delinquent tax payments, sales of homes and rentals, and federal funding for Brownfield redevelopment. Funding comes primarily from penalties from delinquent tax payments to the county. From 2002 to 2005, the land bank received \$4 million in delinquent tax payments. Through Brownfield redevelopment tax increment financing, the land bank was able to reimburse \$5 million Brownfield redevelopment bond, and \$2.2 million in EPA grants. Additionally, sales of homes and rentals brings in \$1.15 million yearly for the land bank. In 2005, the land bank brought in \$1 million in home sales, and \$100,000 rental revenue. (Griswold & Norris, 2007)

Outcomes

Generally, the Genesee County Land Bank has been successful in its aims to reduce abandoned properties and manage the current level of housing stock. During the period of 2002-2005 when the land bank began its operations, the organization made a big impact, particularly in reducing the number of vacant buildings and increasing home ownership. Unfortunately, following the recent recession, some major gains were lost in occupied housing units.

Fortunately, many positive effects still remain such as targeted higher property values, higher property tax revenues, and increased community stability. Unfortunately, the land bank has not managed to solve all housing problems that exist in Genesee County. Since 2000, average rental costs increased, vacancy rates increased, the proportion of renters increased, and residents are paying more of their income toward rent. Additionally, Genesee County still maintains a high level of abandonment and population decline that has only worsened in the recent economic downturn.

Positive Outcomes

During the examined period between 2000 and 2009, property values have increased in Genesee County. In a 2007 study by the Michigan State University Land Policy Institute, the university showed that Genesee County Land Bank has brought property values up in neighborhoods that it has focused on. In neighborhoods that have seen the greatest number of buildings demolished by the land bank, property values have risen. Abandoned structures have a negative impact on neighboring property values and the demolition of derelict buildings has improved property values where a majority of demolition has occurred. (Griswold & Norris, 2007) Unfortunately, while this study was completed before the current housing crisis, current median property values are down to those of 2002 (\$107,000) (See Appendix)

Through increased property values and new property being placed on the market, property tax revenue has increased for Genesee County. In this way, the land bank has been the most successful. From 2002 through 2005, through the sale of property, the land bank created \$100,000 in new property taxes and in 2006, the land bank brought in \$68,000 in new property tax revenue. (Griswold & Norris, 2007). Additionally, since 2002, property tax revenue for Genesee County has increased 62% even while the population has declined steadily and abandonment persists. (Genesee County, 2009) (See Figure 2.)

Property Tax Revenue, Genesee County (2000-2009)

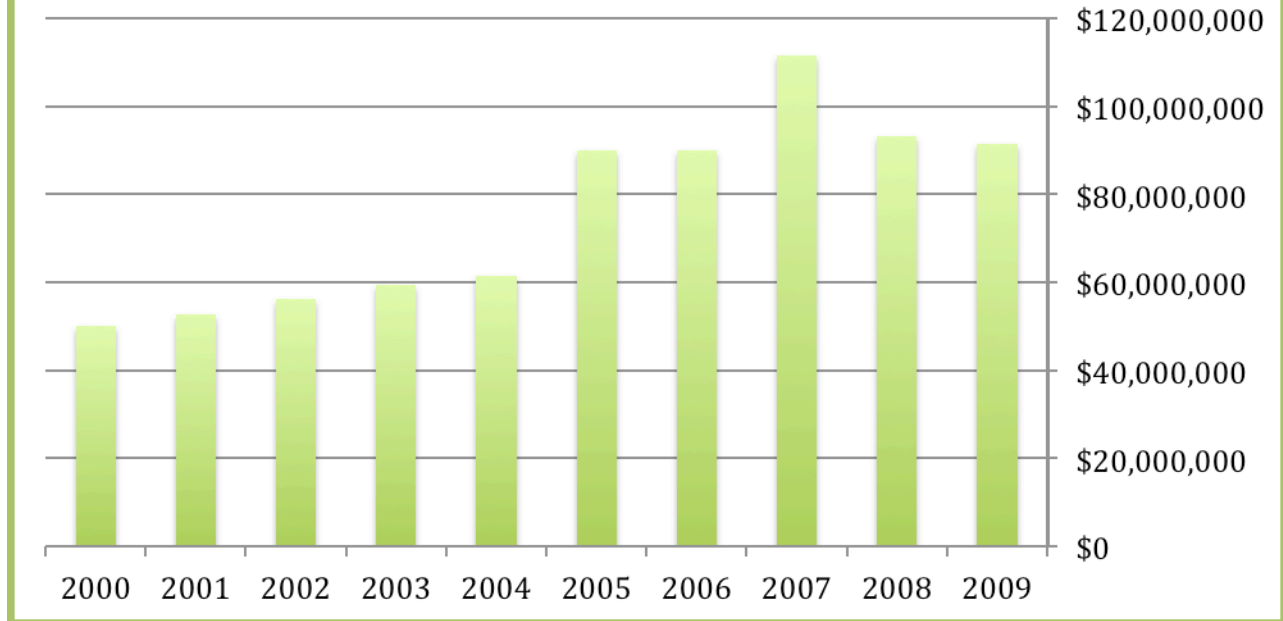


Figure 2.

For several areas, during the first years of the land bank (2002-2005), Genesee County saw big changes that were eventually reduced by the recent recession. For instance, homeownership increased dramatically during the years between the land bank's creation in 2002 and the recession in 2007, then in more recent years has plummeted. While this could also be attributed to a national trend of increased homeownership, it has had a big impact on housing in Genesee County. (See Figures 3, 4)

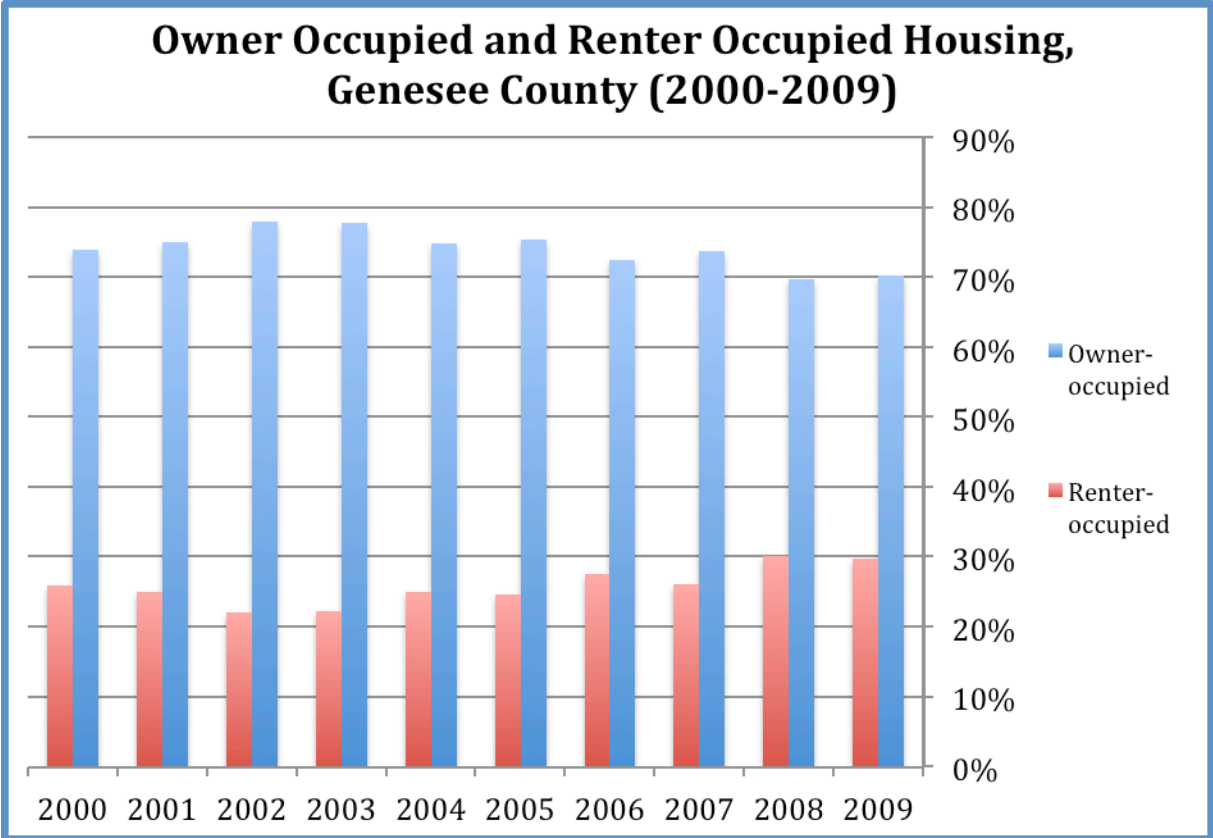


Figure 3.

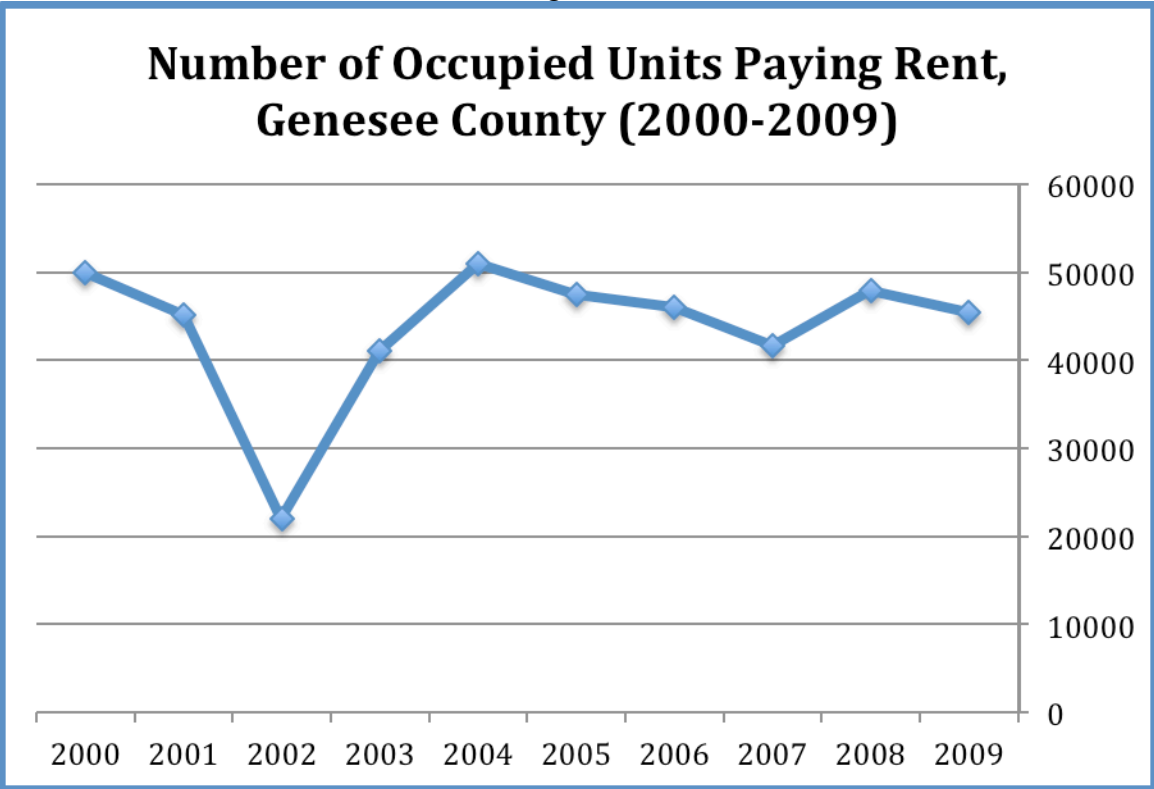


Figure 4

The Genesee County Land Bank has been successful in lessening the trend of vacancy throughout the county, though cannot reverse it completely. For instance, the number of occupied housing units is down (-0.4%), though the population has decreased significantly between 2000 and 2009 (-1.6%). Additionally, the county saw a 7.8% increase in housing units over the ten year period. (See Figure 5.) In other words, there is more housing but far fewer people living in Genesee County. Additionally, the number of occupied units has remained relatively stagnant even while the population is declining. The land bank has successfully kept vacancy static, even while the population declined.

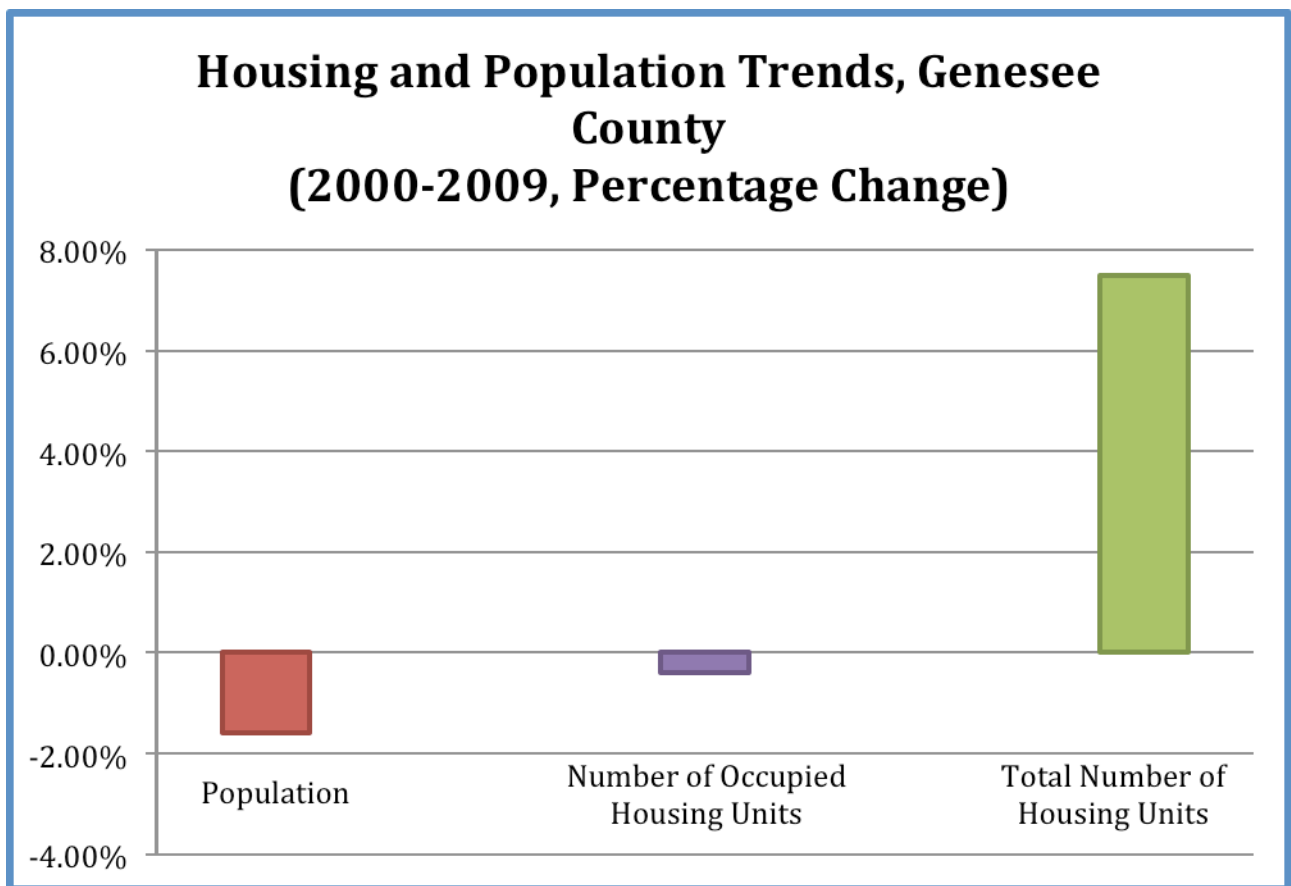


Figure 5.

Genesee County has seen several positive trends in social and economic factors in the past ten years. For instance, the residents have seen continued housing stability with the number

of people staying in homes increasing. Genesee County has seen success in community stability, with a 5 percent increase in those who lived in the same house as they did previous year. (See Appendix) Additionally, a positive economic trend can be seen in Genesee County's median income. Household median income and per capita income increased by 12% and 6.7% (See Appendix) respectively during the period of the land banks existence. While not directly attributable to the land bank, they are positive trends amidst decline population and economy.

Negative Outcomes

Unfortunately, there have been many areas where Genesee County has faltered, though it is difficult to distinguish the land bank's impact from that of the national and local economy. Monthly rents have increased, while the ratio of vacant to occupied properties has also increased. Coupled with income disparities and population loss, Genesee County and Flint have severe housing and economic problems that cannot be solved entirely by the land bank.

For instance, between 2000 and 2009, average monthly rent costs have increase by 50%, from \$443 to \$665 while incomes have not increased by the same percentage. (See Figure 6.)It is possible that this is attributable to increased rental property quality made available by the land bank and increased property values throughout the county. The land bank's rental property should have little effect on the market though due to the size of the rental stock the land bank offers. They provide roughly 100 units each year, out of over 50,000 rental units in the county. Additionally, the ratio of vacant properties to occupied has increased since 2000 and 2002, when the land bank began. (See Appendix) This could be attributed to an increase in the number of housing units total and decrease in population, creating a lack of demand for property, but does not explain an increase in rental costs.

Overall property values in Genesee County have suffered due to the recent housing crisis and general population decline. Unfortunately, the Michigan State study noting an increase in property values in targeted areas was completed before the current housing crisis and could not have predicted the effect of the crisis on property values. Following the crisis, median property values in Genesee County are down to those of 2002 (\$107,000) (See Appendix)

There are several difficulties for the land bank that are exacerbated by the recent recession coupled with an already housing market and economy. For instance, the percentage of renters to homeowners has increased from 26% in 2000 to 30% 2009 due in part to the recent recession and population loss. The land banks aims of increasing homeownership have not been successful in this respect. Genesee County has also seen extreme income disparities with the majority of residents paying more than 30% income towards rent. (See Figure 6.) This is due to stagnant incomes increases, higher monthly rents, and extreme population loss.

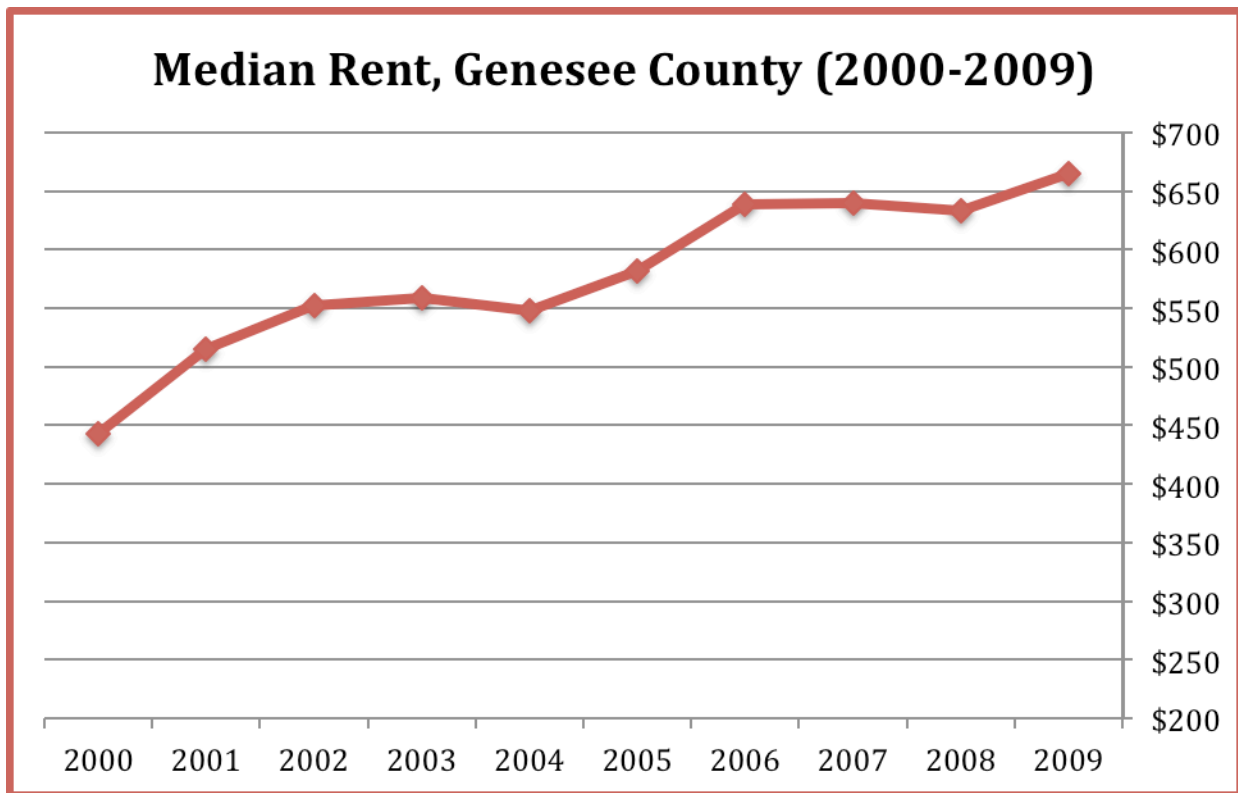


Figure 6.

Most striking is Genesee County's continued population loss. Despite current measures to slow down the loss of population, residents are leaving Genesee County at alarming rate, marked clearly by the recession in 2008.

Going Forward

A majority of properties managed by the land bank are vacant lots. Working with community groups and nonprofits to turn the vacant lots into green space will create well-needed recreation areas and an asset for the community. Additionally, focusing more on side lot transfers will reduce the stock of vacant lots and create strong community commitments among residents.

To reduce the impact of budget cuts in bad economic times, secure further funding sources. Currently, the Genesee County Land Bank is facing budget cuts from the county. Securing a partnership with the city of Flint will create a more stable funding source. Flint is disproportionally served by the land bank, making it a prime candidate for cooperation. This will ensure that the much-needed services delivered by the Genesee County Land Bank are not greatly affected during economic downs.

While the Genesee County Land Bank currently offers unique rental housing options, creating more affordable housing would reduce rental costs for residents. Average rental prices have increase dramatically over the past ten years, even with a reduced population and increased housing stock. Reduce rental prices by offering more affordable housing. Additionally, matching residents more efficiently with housing may reduce housing costs and reduce vacancies.

Conclusion

Nation-wide, cities are grappling with deindustrialization and subsequent population loss and housing abandonment. Cash strapped municipalities are looking for efficient solutions to high housing vacancy rates and increased service delivery demands. By creating a land bank, cities and counties can manage abandoned and tax-delinquent properties while efficiently shrinking their cities to meet the needs of the current population. Genesee County, Michigan found success in creating a land bank to manage abandoned properties, and successfully increased property tax revenue, while dealing with population loss. While the creation of a land bank does not provide a silver bullet for declining cities, it is a successful option for managing high numbers of abandoned properties.