

Land Bank Program

Part 1



Agenda

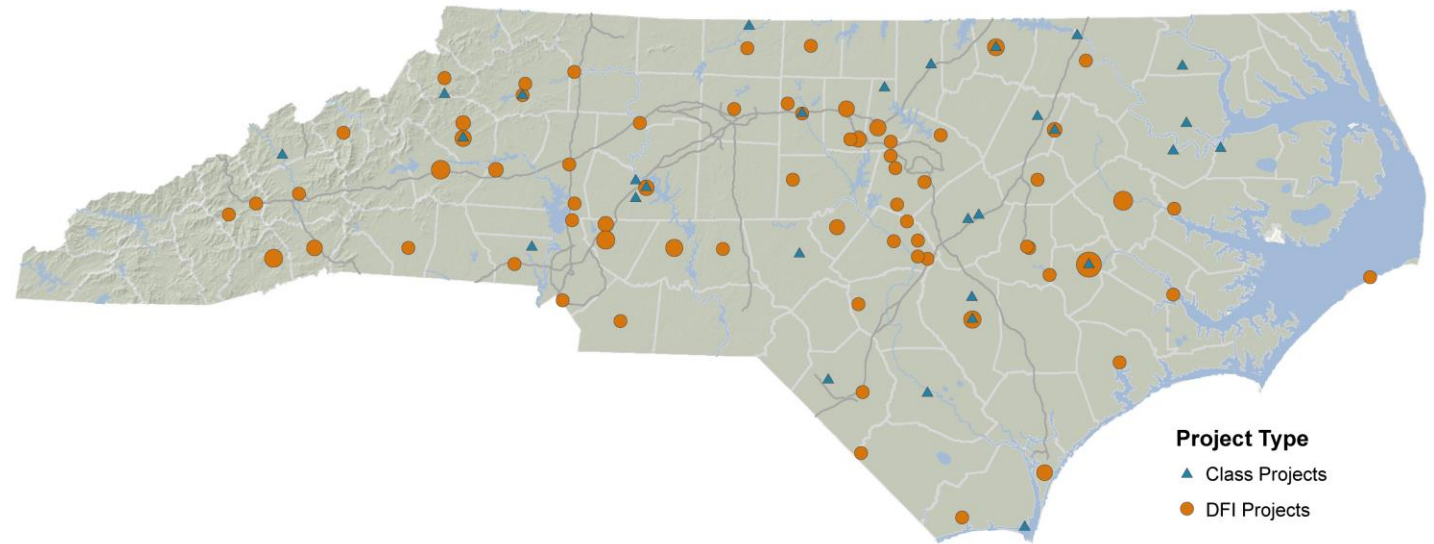
- Project overview
- How does a land bank program work?
- Draft goals for land bank program
- Land bank program acquisition strategy
 - Neighborhood markets
 - Property types
- Next steps

Development Finance Initiative (DFI)

DFI is a program of UNC Chapel Hill's School of Government that advises communities in NC to attract private investment for transformative projects by providing specialized real estate development and finance expertise.

Project Team: Frank Muraca and Sarah Odio

QC: Tyler Mulligan and Marcia Perritt

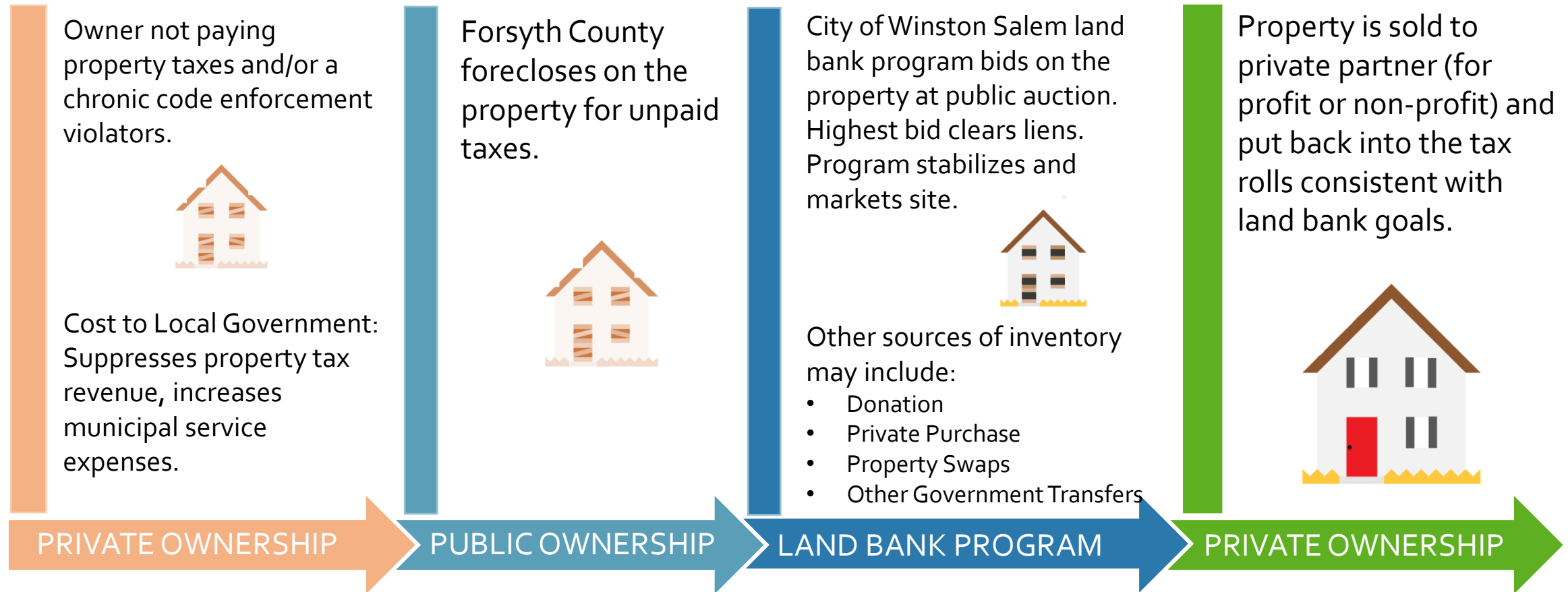


DFI Engagement

The City of Winston Salem engaged DFI to create a model for a land bank program. The scope of work includes:

- Establishing priorities for the land bank program in collaboration with the City
- Conducting a market segmentation and parcel analysis and identifying opportunities for acquisition
- *Developing a financial model to test the feasibility of up to three acquisition strategies*
- *Providing the City with a business plan for program operations including a staffing plan and next steps to align the program with the City's goals*

How does a land bank program work in NC?



Source: <https://canons.sog.unc.edu/2014/03/how-a-north-carolina-local-government-can-operate-a-land-bank-for-redevelopment/>

Functions of a Land Bank Program



Strategic Acquisition

Identify and target properties for acquisition that meet program goals

Compete for tax foreclosed properties at public auction

Make strategic purchases



Portfolio Management

Clear title on non-tax foreclosed properties

Make repairs or renovations to stabilize property

Maintain properties

Prepare properties for re-sale



Disposition

Engage community

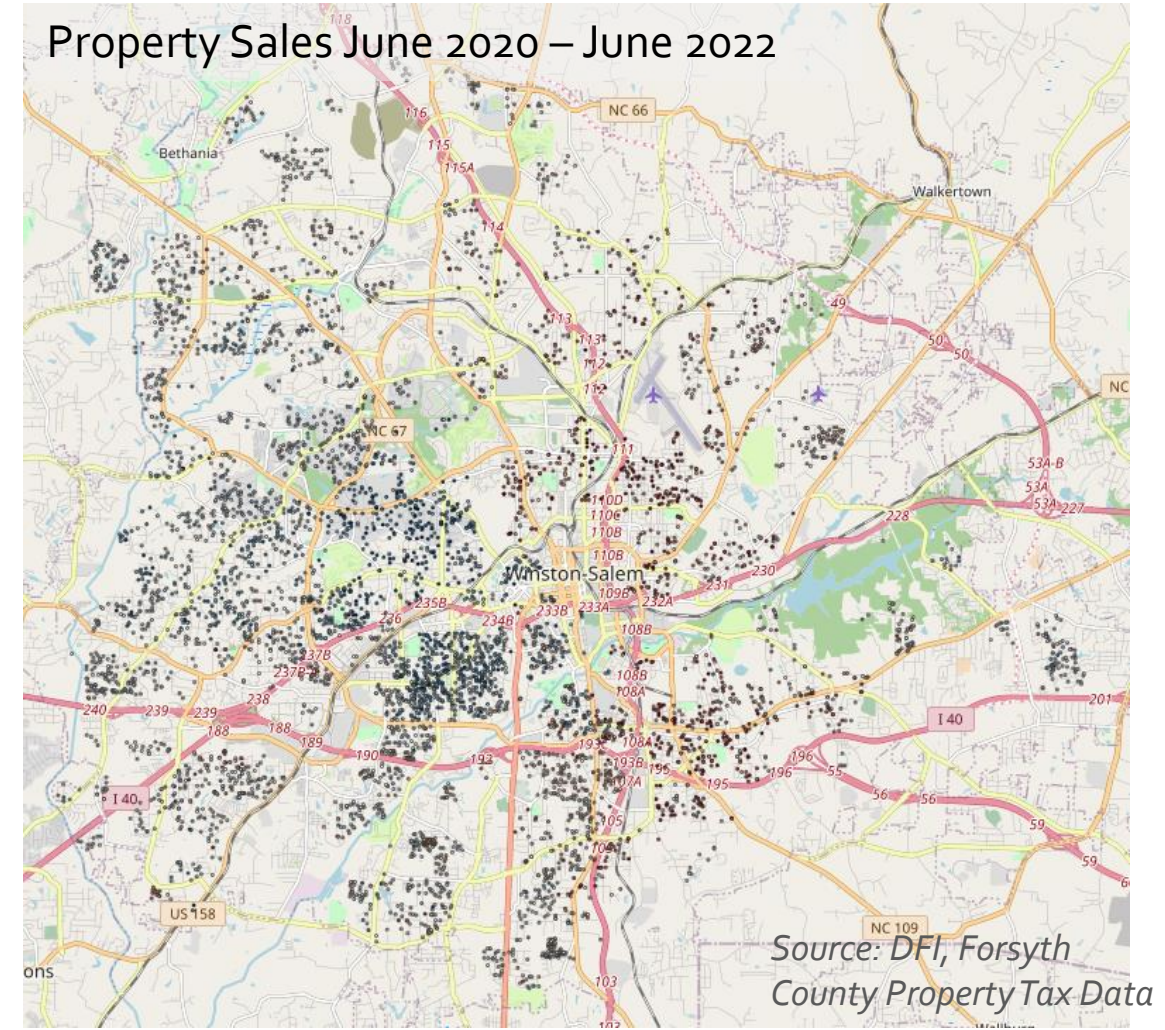
Market the portfolio

Identify buyers (for profit or non-profit) that match land bank goals

Unlike most communities with a land bank program, Winston Salem is growing rapidly

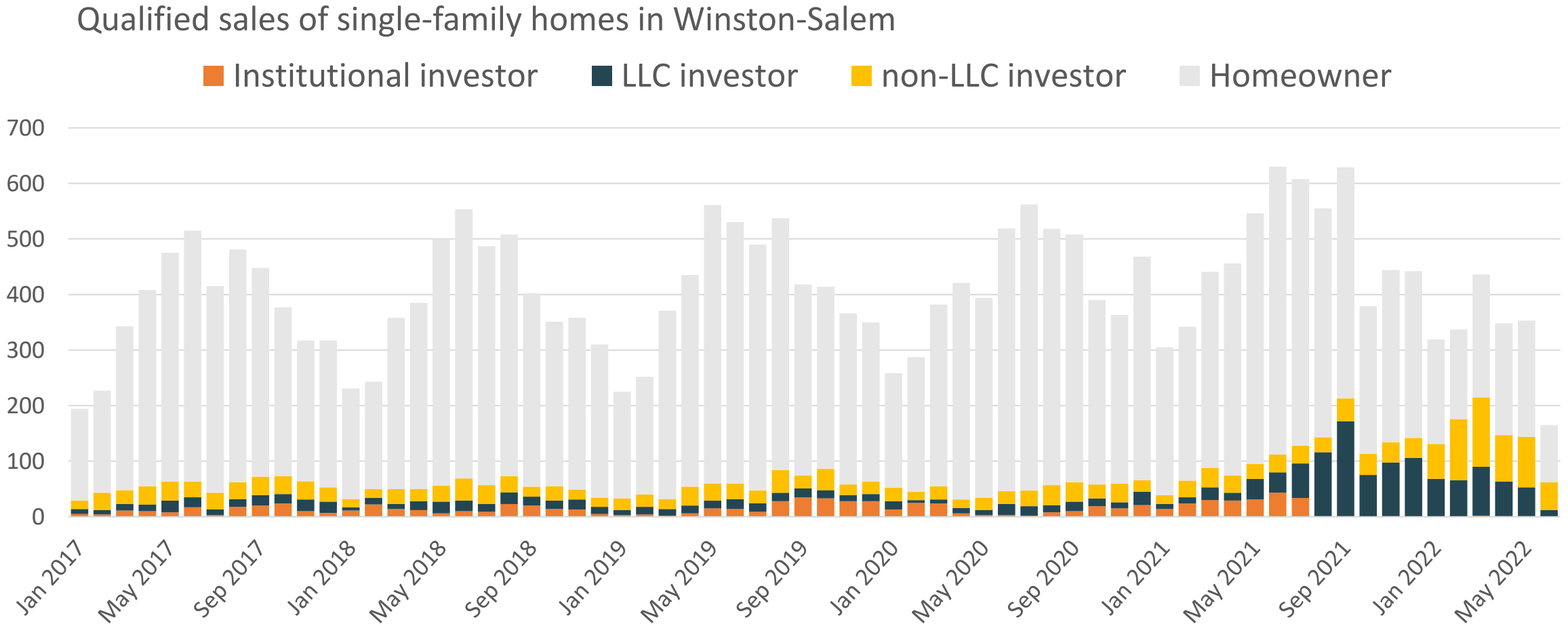
City	POPULATION		% Change
	1970	2010	
Gary, IN	175,415	80,294	-54%
Detroit, MI	1,514,063	713,777	-53%
St. Louis, MO	622,236	319,294	-49%
Buffalo, NY	462,768	261,310	-44%
Pittsburgh, PA	520,117	305,704	-41%
Baltimore, MD	905,787	620,961	-31%
Toledo, OH	383,818	287,208	-25%
Winston-Salem, NC	133,683	229,617	72%

Source: CCP report on addressing vacancy & abandonment in Winston-Salem, NC (2019)



Source: DFI, Forsyth County Property Tax Data

Investor property purchases peaked in 2021



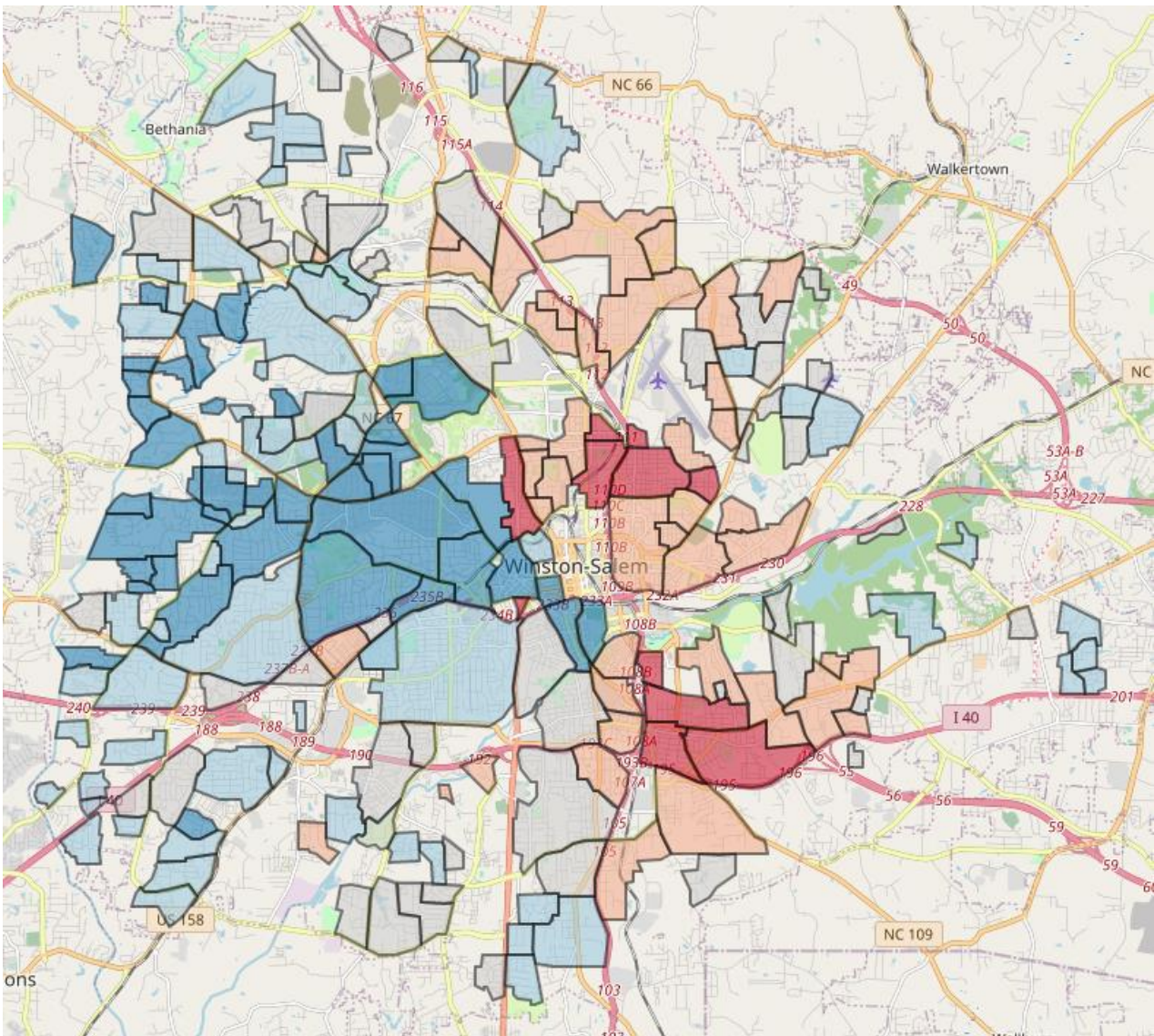
Source: DFI analysis of Forsyth County property tax data

Draft Goals for the Land Bank Program

The City of Winston Salem's land bank program should:

- Stabilize vacant and deteriorating properties to improve the vitality of neighborhoods
- Place properties back into productive use through an equitable, strategic process
- Support, where appropriate, the preservation or creation of affordable housing in accordance with the City's policy for City-owned property
- Efficiently use public investment to maximize impact

Neighborhood Markets



Market segment
Weak
Constrained
Transitioning
Accelerating
Exclusive

Note: Cutoff points for each market segment were determined using a combination of market indicators including number of qualified sales of single-family homes, sale price, percentage of purchases made by investors, building permits for new construction and renovation of single-family homes, and number of vacant and distressed properties.

Neighborhood Markets

Neighborhood	Median sale price (2020-2022 YTD)	Change in 3- year median sale price (2019-2022 YTD)	Rehabs, Renovations, Additions	% investor purchases (2020-2022 YTD)	Publicly owned parcels	VAD Properties
Buena Vista <i>Exclusive</i>	\$555,000	+\$94,000	189	6%	3	0
Ardmore <i>Accelerating</i>	\$237,000	+\$47,000	191	19%	5	3
West Salem <i>Transitioning</i>	\$177,000	+\$43,250	18	38%	9	1
Greenway Ave <i>Constrained</i>	\$72,000	+\$37,200	6	56%	3	12
North East Winston <i>Weak</i>	\$47,000	+\$26,000	7	75%	66	63

Property Types for Potential Land Bank Inventory

Vacant, Abandoned, and Deteriorated (VAD) properties with 2+ years tax delinquency. For buildings, water must also be cut off for 6+ months.



Undeveloped Lots
(Est. 650 VAD)
~222 with nuisance liens



Vacant Single-Family
(Est. 160 VAD)
~115 with nuisance liens



Vacant 2-4 Unit Properties
(Est. 5 VAD)
Likely once a rental property that was abandoned by owner. End user will differ from homeownership product. Not common due to potential income for owner.



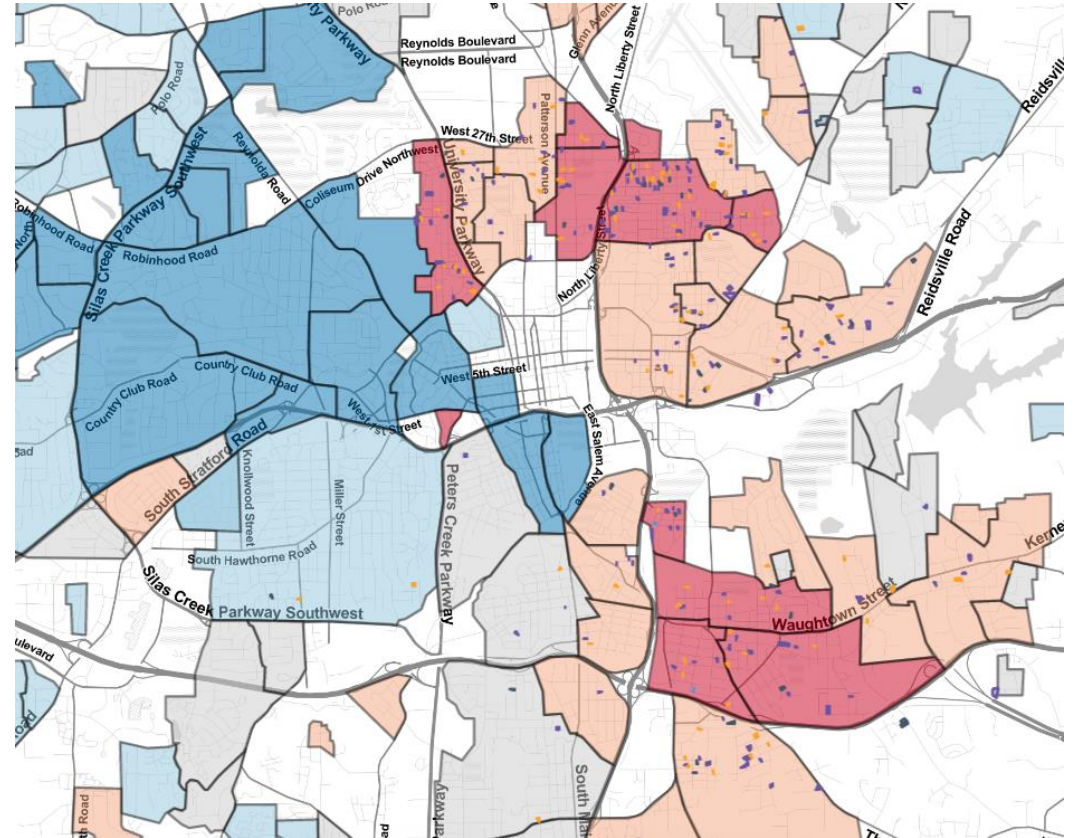
Heirs' Properties
(Est. 90 currently VAD)
~42 nuisance liens
Owner died without proper estate plans and current ownership is unclear. Although technically one of the previous types, heirs' properties carry additional challenges to bring to foreclosure and stabilize.

Land Bank Acquisition Strategy

The acquisition strategy needs to consider neighborhood markets, property types, and financial impact.

DFI will analyze the following strategies further:

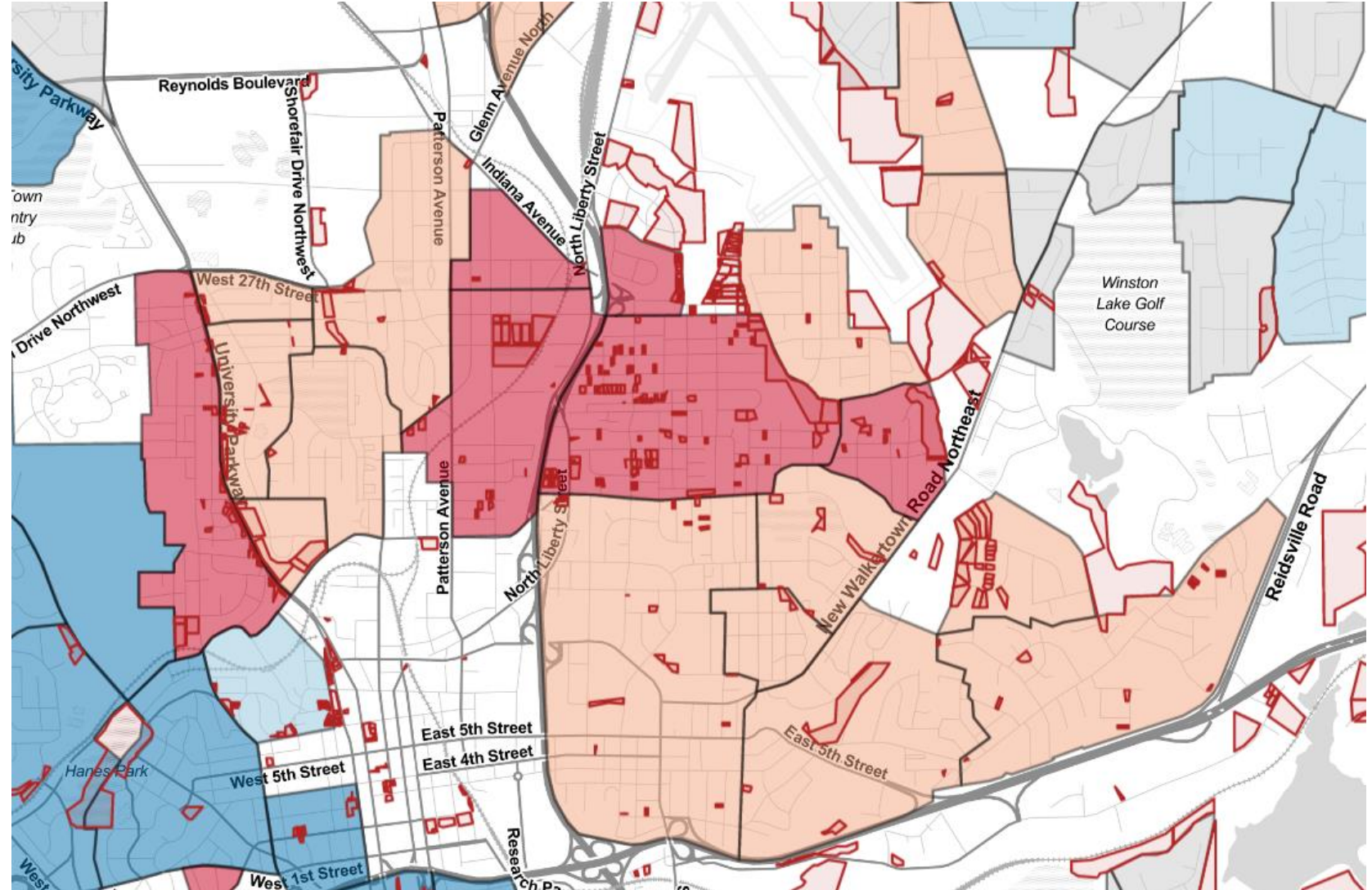
- Publicly-owned undeveloped lots or vacant single-family properties in weak or constrained neighborhood markets.
- Heirs' properties in weak neighborhood markets
- Vacant single-family or 2-4 unit properties in constrained markets
- Undeveloped infill lots adjacent to transitioning or commercial markets



Most VAD properties are located in **weak** or **constrained** markets.

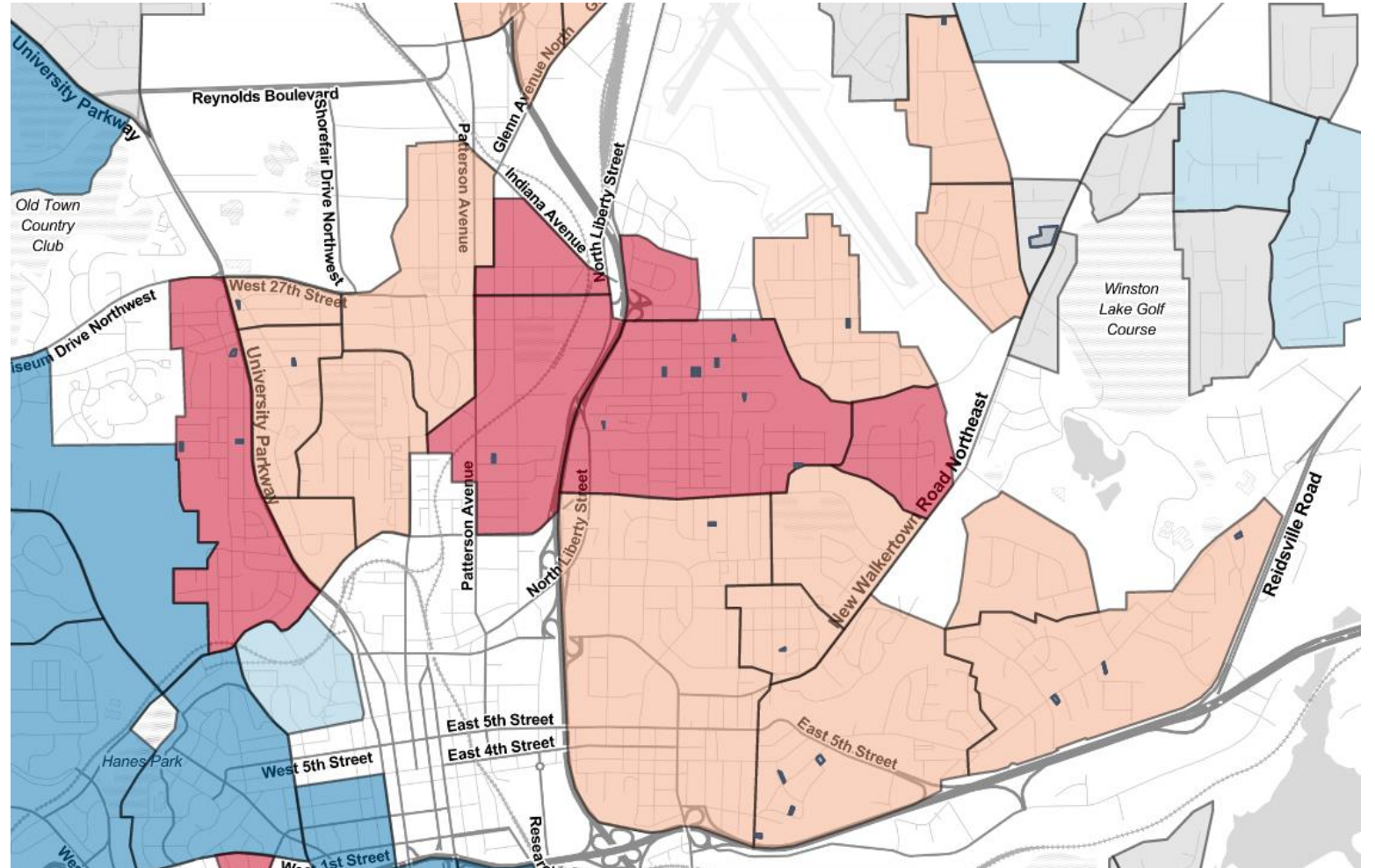
Publicly-owned infill lots and vacant homes in weak and constrained markets

- Est. 441 publicly-owned vacant properties
- Low-hanging fruit for addition to land bank program
- Disposition in weak markets will require more patience and a strategic framework



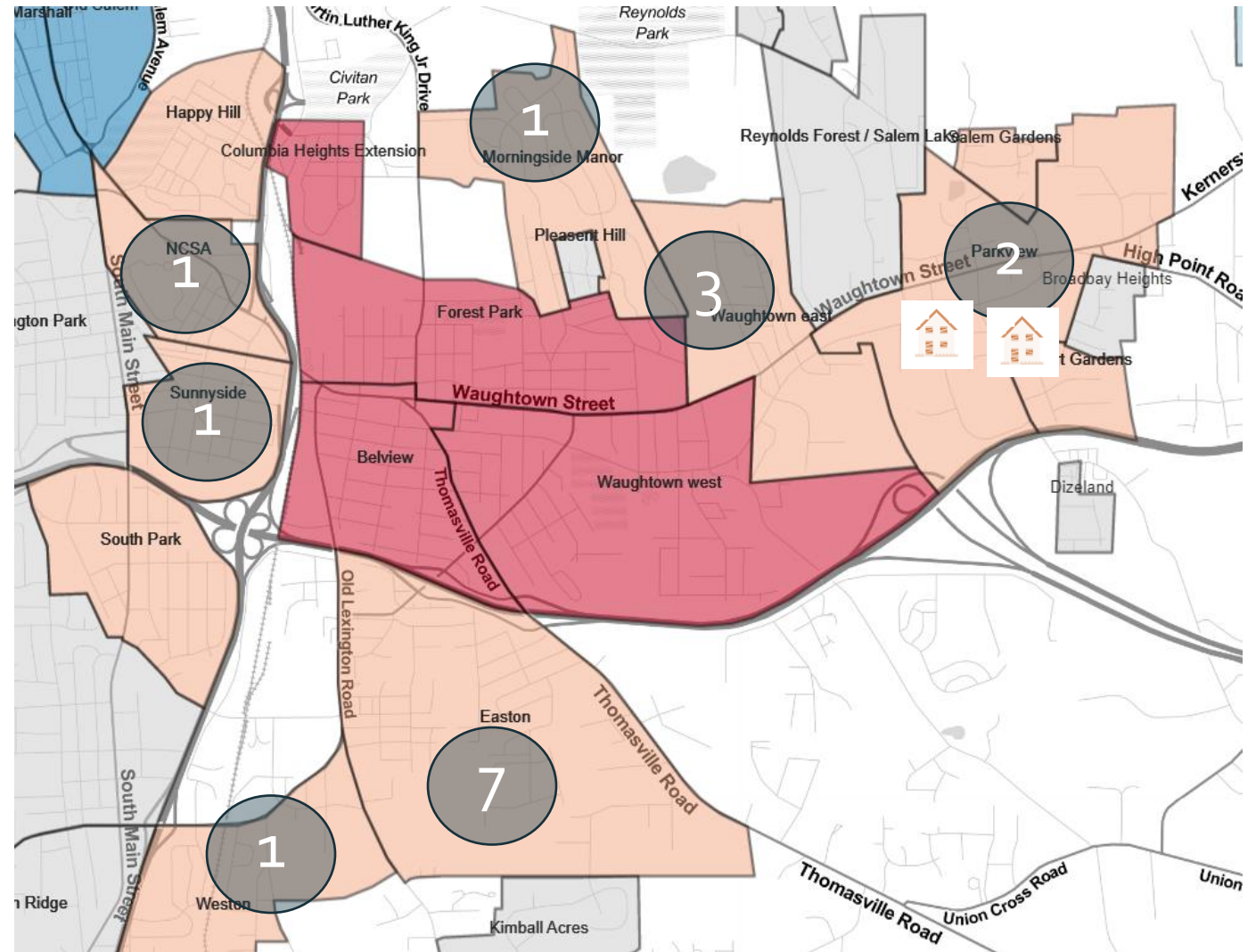
Opportunity: Heirs' VAD properties in weak markets

- Likely requires City-County partnership prior to foreclosure
- Less volume, but tackles the most challenging properties in the most distressed areas



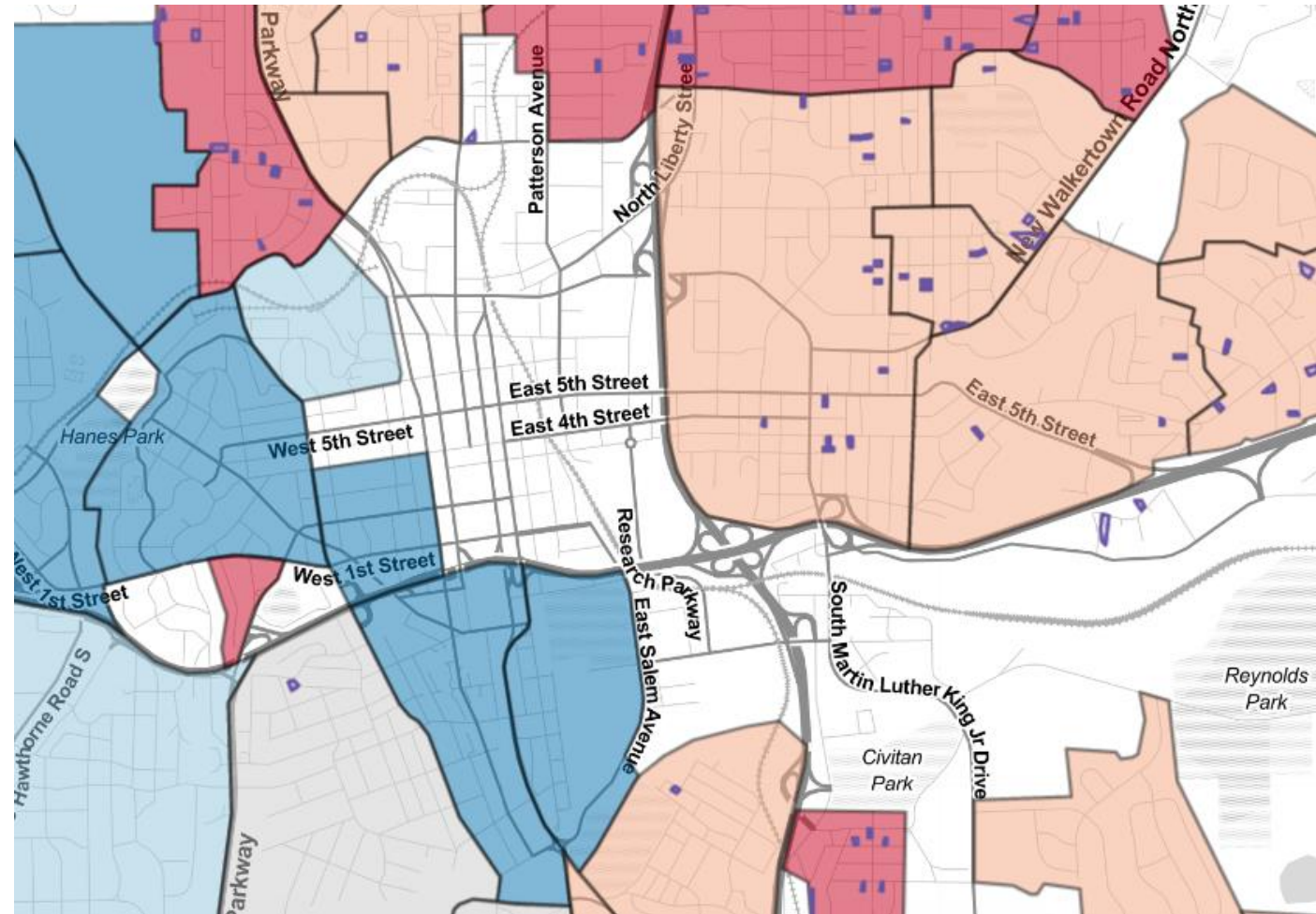
Opportunity: Vacant single-family or 2-4 unit properties in constrained markets

- Potentially more financial opportunity in constrained markets where sales prices are slightly higher than weak markets.
- Cost to stabilize existing vacant property may deter competitors at public auction.



Opportunity: Undeveloped infill lots adjacent to transitioning or commercial markets

- Undeveloped lots are most common VAD property type
- Lower carrying costs than vacant, existing units, and potentially higher price at disposition.



Land bank program may not be primary tool to achieve housing goals in certain markets

Land Bank Program

A public entity focused on converting vacant, abandoned, and distressed (VAD) properties into productive use.

- Goal: To gain control, stabilize, and dispose of property to a responsible partner.

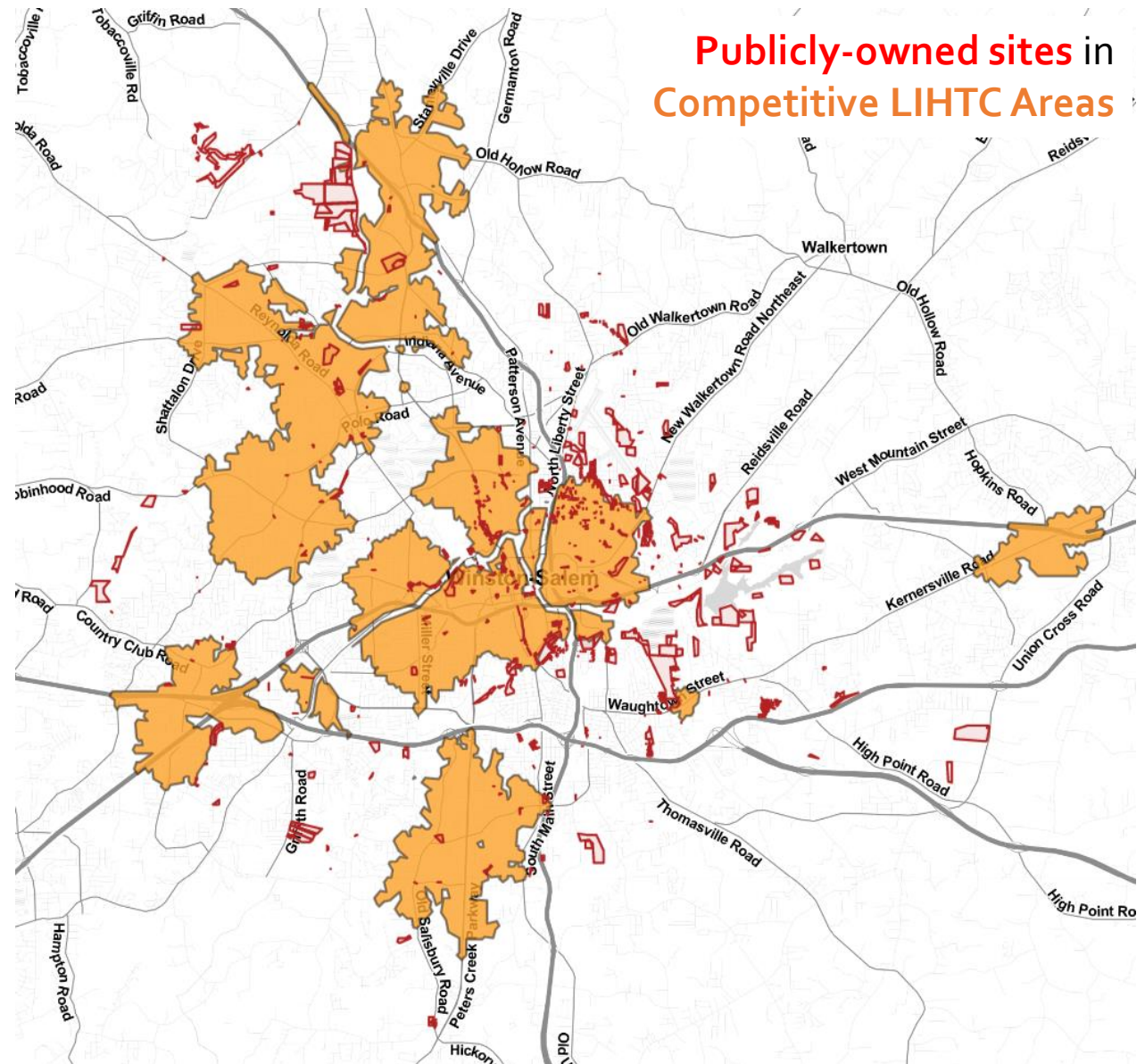
Community Land Trust

Typically, a private non-profit that holds land in perpetuity to provide affordable housing or other community assets.

- Goal: To gain and maintain control of property in order to address community needs.
- *Creates opportunity to provide affordable housing in transitioning and accelerating areas by separating cost of land from the house.*

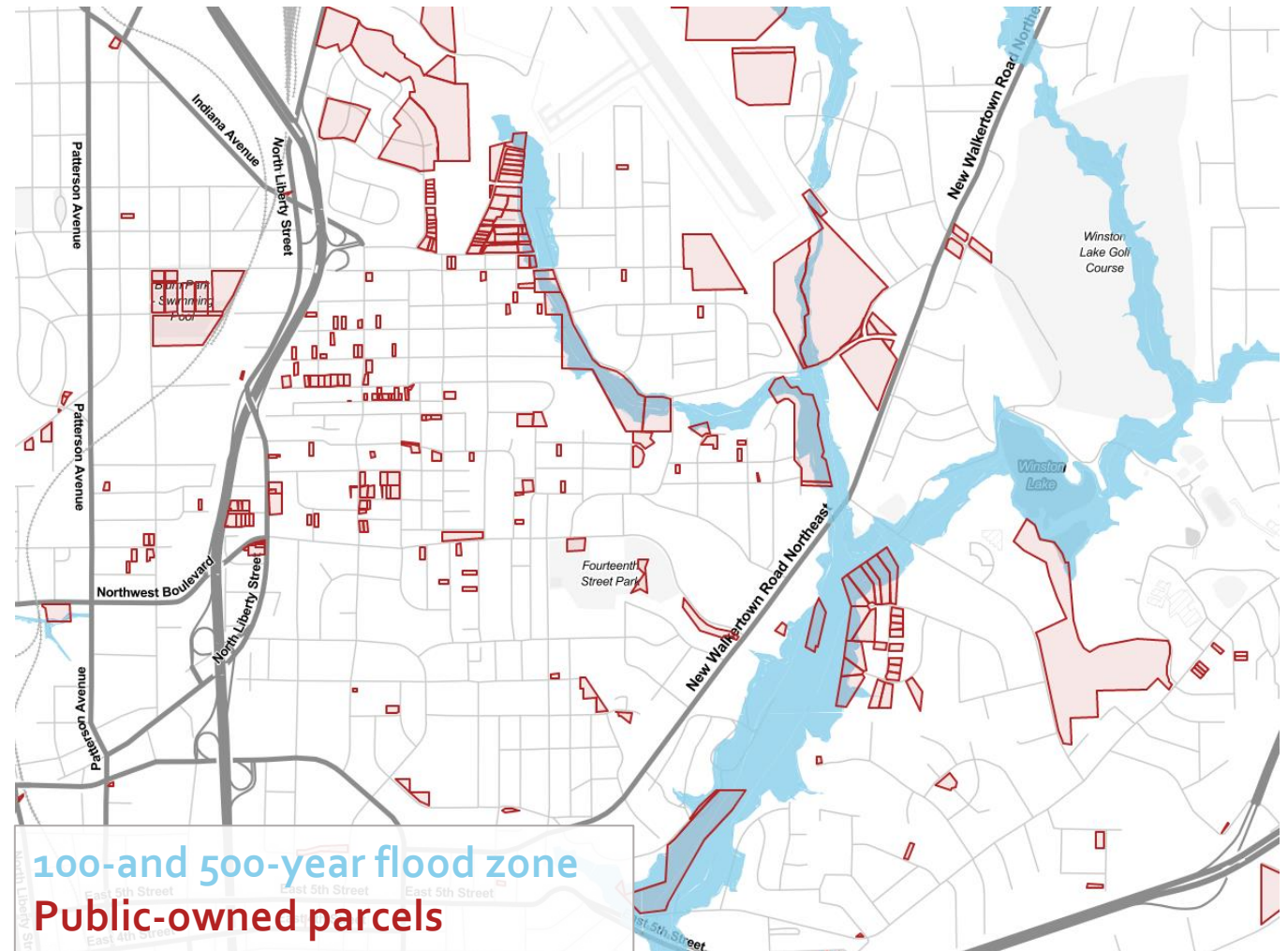
Not all publicly-owned land ideal for land bank program

- Opportunities for affordable rental housing development through Low-Income Housing Tax Credit (LIHTC) program exist in all neighborhood markets.
- Land bank program does not provide additional tools not already possible through the City's authority.



Not all publicly-owned land ideal for land bank program

- Some properties may not be appropriate for sale to the private sector i.e. vulnerable to flooding, potential for use as park or other public use, etc.



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Next Steps

- Refine acquisition strategy with financial modeling
- Define portfolio management for each strategy
- Define approaches to disposition for each strategy



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Development Finance Initiative

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