



U.S. Department of Housing and Urban Development

NSP Webinar

Disposition & Land Banking

February 27, 2018

2:00 P.M. EDT

Community Planning and Development

Today's Hosts

- HUD
 - John Laswick
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 - Jennifer Alpha
 - Garrett Lear

Agenda

- What Can Land Banks Do
- Property Disposition Basics
- Property Disposition Strategies
- Land Bank End Use Options
- Implications of Long-Term Land Banking
- Examples of Creative Uses
- DRGR and Land Banks

The focus of this webinar: Property Disposition

- Looking at both formal or informal land banks
- Primarily explaining how to get property out of the NSP Program, even though it may remain in the local land bank.
- Limited discussion of larger land bank strategies: TA opportunities to help with strategy
- There are some tricks that may help take property out of NSP.

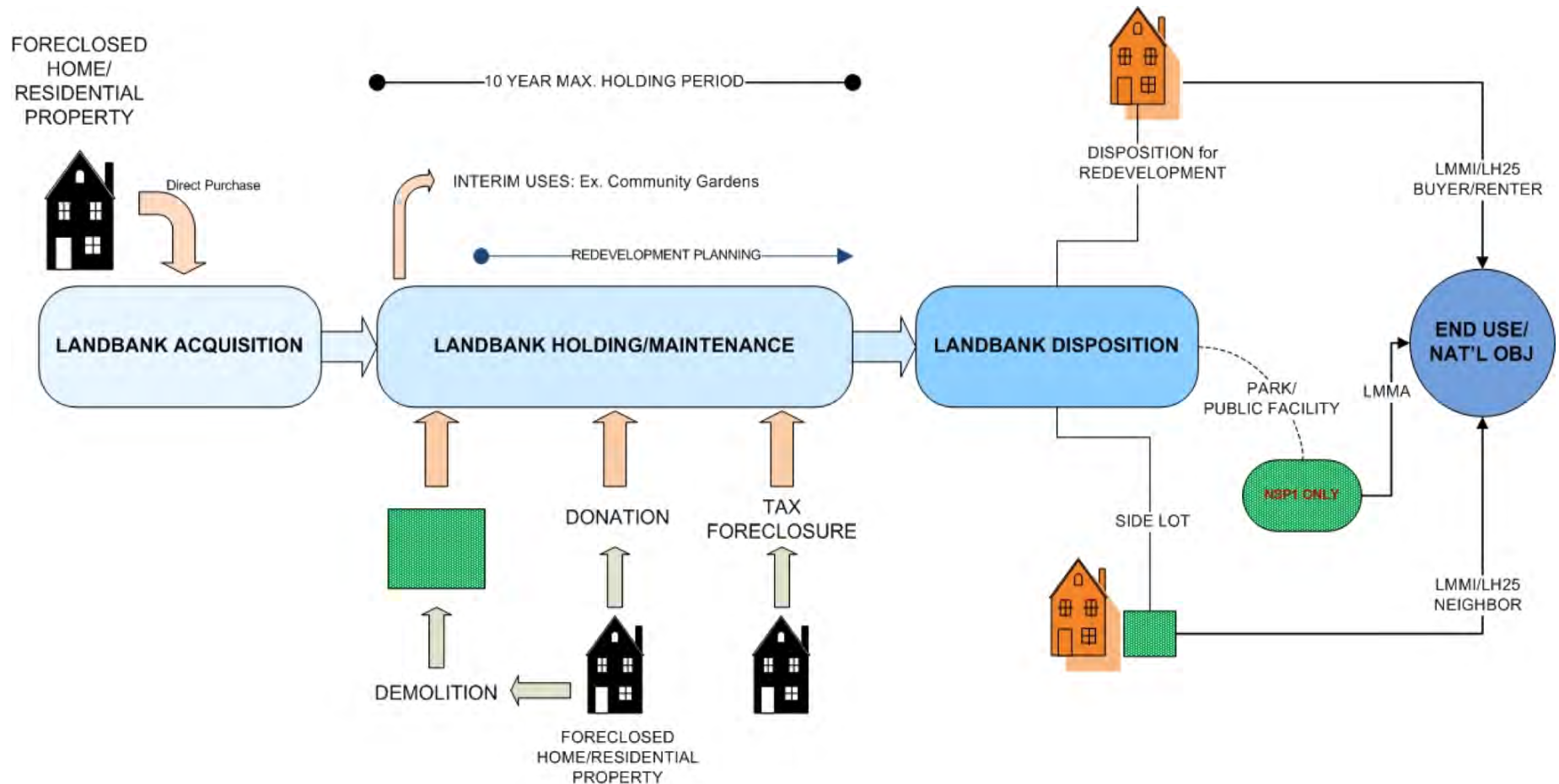


What Can an NSP Land Bank Do?

For the purposes of NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties.

Eligible Use (C): Establish and operate land banks for homes and residential properties that have been foreclosed upon.

NSP Land Bank Life Cycle - Overview (



Before Disposition - Holding and Maintenance (

- 10-year maximum holding period FROM CLOSEOUT
- Land banking is an interim use
- Must obligate for re-use/redevelopment
- NSP may pay for boarding, taxes and maintenance costs
- “Static” holding costs not considered part of TDC for properties that are redeveloped
- Procure boarding and maintenance contractors if using 3rd party entities

What Does Disposition Mean in NSP?

Disposition is an eligible activity under CDBG found in 24 CFR 570.201(b). In NSP, disposition can be used as an allowable expense in an eligible activity, it can be both the eligible activity and end use, or as the eligible activity used to dispose of a property for an ineligible end use that meets a national objective.

Disposition - CDBG 24 CFR 570.201(b)

- Disposal of an assisted real property through sale, lease or donation
- Use of the property after disposition must meet a national objective, but that use can be paid for with non-NSP funds.
- NSP may pay for incidental costs of disposing the property
 - egal document prep, survey fees, transfer taxes
- NSP may pay for temporarily managing the property until disposition occurs. This expense is a disposition expense.
- Paying disposition costs for non-NSP properties is ineligible unless the land bank is a government agency.

Disposition

Disposition can be used in one of the following four scenarios:

1. An allowable expense in an eligible activity that meets a national objective
2. Both the eligible activity and end use (meeting a national objective).
3. The eligible activity for an ineligible end use that meets a national objective
4. An activity that never meets a national objective. (CDBG Change of Use Process)

Acquisition occurred under	Allowable Activities		National Objectives	Examples
Eligible Use B	Housing Activity		LMMH	Multi-family or single-family housing units
			LH25	
	Disposition or Special Econ Development		LMMA LMMC LMMJ	In-home day care
	Disposition for Ineligible activities		LMMA LMMC LMMJ	Donate to a non-profit to develop a community garden
Eligible Use C	Housing Activity		LMMH	Multi-family or single-family housing units
			LH25	
	Disposition		LMMA	Side Lot
Eligible Use D	Disposition for Ineligible activities		LMMA LMMC LMMJ	Donate property to be used for a hair salon
	Disposition		LMMA	Side Lot
	Disposition for Ineligible activities		LMMA LMMJ	Donate land for local business development
	Housing Activity		LMMH LH25	Multi-family or single-family housing units
Eligible Use E	NSP1	Disposition or Special Econ Development	LMMA LMMC LMMJ	Build a parking lot for a grocery store
		Disposition for Ineligible activities	LMMA LMMC LMMJ	Donate to a for-profit to develop a shopping mall
	NSP2 & NSP3	Housing Activity only	LMMH LH25	Multi-family or single-family housing units

Disposition can be used in one of the following four scenarios:

- 1. An allowable expense in an eligible activity**
 - A. Use as a Public Facility (NSP1)**
 - B. Special Economic Development Activities**
2. Both the eligible activity and end use
3. The eligible activity used to dispose of a property for an ineligible end use that meets a national objective
4. An activity that never met a national objective.

Scenario 1: An Allowable Expense in an Eligible Activity

Use as a Public Facility (Eligible Use E)

Is an eligible expense in NSP1 only and meets the LMMA National Objective.



Scenario 1: Disposition Strategy - Economic Development

The NSP Close-Out Notice added “Special Economic Development Opportunities” as an eligible activity for NSP1 Grantees.

Grantees may now use economic development activities to fulfill a LMMI National Objective by creating and/or retaining jobs (LMMJ).

This applies to NSP1 only and to Eligible Use B only, meaning it is limited to residential property.

NSP2 and 3 must meet the housing or area benefit objective.



Scenario 1: Disposition Strategy – Economic Development Activities

- Meeting a National Objective (LMMJ)
 - Involve the employment of persons, the majority of whom are LMM income persons

Example: A home day care center that creates or retains jobs principally for LMM income persons



Scenario 2: Eligible Activity & End Use

Disposition can be used in one of the following four scenarios:

1. An allowable expense in an eligible activity
2. (**Both the eligible activity and the end use**
 - A. Use as a side lot (NSP1 only)**
 - B. Where demolition is the end use**
3. The eligible activity used to dispose of a property for an ineligible end use that meets a national objective
4. An activity that never met a national objective.

Scenario 2: Eligible Activity & End Use (side lot)

Allowable Under
Eligible Use B, C, or D
Eligible Use E in NSP1



- Vacant or demolished properties can be made available to any adjacent residential property owner in a qualified LMMI area to use and maintain as a side lot.
- The acquisition and disposition can meet the LMMA national objective, but the grantee must determine and document the actual service area benefiting from the disposition of the property.

Scenario 2: Eligible Activity & End Use

- In NSP, if a grantee has met a national objective by demolishing a property, the disposition of the property as a side lot meets the LMMA national objective.
- No continuing affordability requirement because no housing units are being produced with NSP funds.
- Property is out of NSP at the time of completion and the grantee has no reporting responsibility attached to this property after closeout.

Scenario 3: Eligible Activity – Ineligible End Use but Meets National Objective

Disposition can be used in one of the following four scenarios:

1. An allowable expense in an eligible activity
2. Both the eligible activity and end use
- 3. The eligible activity for an ineligible end use that meets a national objective**
4. An activity that never met a national objective.

Scenario 3: Eligible Activity – Ineligible End Use but Meets National Objective

Example: A property is used as a neighborhood playground, but the swing sets and equipment are not paid for with NSP funds only

NSP 2 & 3 – restricted to housing;
park ineligible; used NSP funds
to acquire the land only.

NSP1 – can do public facilities



Scenario 3: Eligible Activity – Ineligible End Use but Meets National Objective

- Dispose of NSP-assisted properties acquired or demolished for ineligible activities, or use such properties for NSP ineligible activities, as long as:
 1. the NSP-ineligible activities are not assisted with NSP funds
 2. The property was acquired under eligible use B, C, or D (Eligible Use E works for NSP1 only)

Scenario 3: Eligible Activity – Ineligible End Use but Meets National Objective

3. The NSP ineligible activity will contribute to neighborhood stabilization in the NSP target area
4. The initial acquisition or demolition and use of the property meets an NSP national objective
5. The planned use of these properties is described in the grantee's Action Plan or substantial amendment

Scenario 4: Activity Never Meets A National Objective

Disposition can be used in one of the following four scenarios:

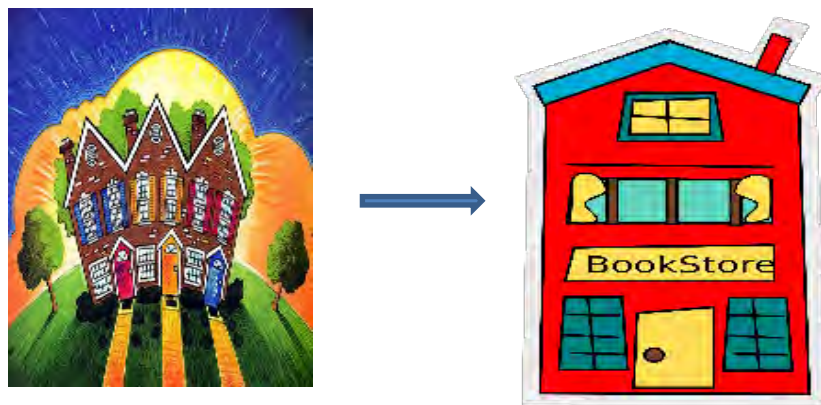
1. An allowable expense in an eligible activity
2. Both the eligible activity and end use
3. The eligible activity for an ineligible end use that meets a national objective
4. **An activity that never met a national objective.**

Scenario 4: Activity Never Meets A National Objective

End use that never meets a national objective

Or, an activity with no end use.

In this case, the property must be taken out of the program using the CDBG Change of Use process.



Change of Use

- The use of grant funds must meet a national objective.
- If a grantee has documented that it has met a national objective on a property but can not continue to meet a national objective, the grantee may contact the Field Office to see if the Change of Use provision would apply



Change of Use

Total NSP Funds Invested	Initial Use met a National Objective, but Subsequent Use does not	Never able to meet a National Objective
Greater than \$25,000	Reimburse NSP for Fair Market Value	Reimburse NSP for all expended funds on project
Less than \$25,000	Ask HUD for permission to remove from program	Reimburse NSP for all expended funds on project

Landbank: End Use Options

Special Purpose

- Public Facilities (NSP1 Only) such as parks, open space, gardens or flood control;
- Must meet all CDBG Public Facility eligibility, including LMMA area benefit
- http://detroitagriculture.net/wp-content/uploads/Treatment-Guides_All_web.pdf

Also, ineligible activity that meets national objective

End Uses for Land Banked Properties

Housing

- Donate to a community land trust to create affordable housing;
- Rental or Homeownership Units, depending on community needs and the market
- Designated for affordable housing according to HERA;

End Uses for Land Banked Properties

Easy wins

- Demolition is the end use. Not acquired for a specific purpose, LMMA with acquisition. You're done!
- Redevelopment for Housing – Side-Lot Disposition
- Change of Use

Landbank: End Use

- Any NSP assisted properties remaining in the land bank ten years after the date of grant closeout shall:
 - revert entirely to the CDBG program, and
 - must be immediately used to meet a national objective or disposed of in accordance with CDBG use of real property; or
 - Include in a redevelopment plan, approved by the local governing body

Implications of Long Term Land Banking

Tracking Properties

- Organizations must maintain all files and records on each property that benefits from NSP funding.
- Assume that there will be transition in the organization:
 - Future staff must be able to track properties and expenses incurred with NSP funding, as well as understand end use requirements and timelines for meeting them.

Related Issues

What level of property maintenance is required to satisfy the national objective?

- The land bank kept it boarded up and in reasonable condition and not a blighting influence (e.g.by repairing holes in the roof)
- Maintained the property on a regular basis by;
 - cleaning the grounds,
 - mowing the grass and
 - keeping sidewalks passable.
- The land bank should have procedures for responding to neighborhood complaints.



Related Issues

Are there specific requirements on documentation relative to period of time of maintenance, requisite paperwork or other requirements?

- These measures should have been followed from the time of acquisition of the property by the land bank.
- Employee time sheets and/or third party contracts should show regular work on the properties.
- Photographs and work reports demonstrate the efforts made.
- Letters from the neighborhood association would also provide confirmation.

What is your 'Plan B' ?

Until the eligible end use requirement is met, the grant cannot be completely closed out.

While there are ten years for the eligible end use requirement to be met, conditions can and will change.

HUD recommends having multiple compliance strategies for meeting the end use

LH25,
additional funding,
partner development, esp. mission-driven

Creative Uses for Land Banked Properties



RE-IMAGINING CLEVELAND » **IDEAS^{TO}ACTION**
RESOURCE BOOK

Creative Uses for Land Banked Properties

PUBLIC ART

Public art can enhance our greenspaces in many ways. Important benefits of most public artwork are beautification of its surroundings and beauty for its own sake, but it can also strengthen the identity of a place or call attention to a community project (or perhaps one important part of a project), and, especially when working with a tight budget, it can be called upon to function in practical ways. For example, there is no reason a rain barrel or a birdhouse cannot also be a work of art, and sitting down to rest on an artist-designed bench could certainly become a memorable experience.

There is almost no creative endeavor that cannot benefit from artwork or the skillful hands of an artist!



Images showing public art as a component of vacant land enhancement strategies

From Reimagining Cleveland

Creative Uses for Land Banked Properties

Raingarden

Per Unit Cost Estimates

site demolition/grading \$20 per cubic yard (50)	\$1,000
connections to drain adjacent buildings	\$1,000

landscape materials

topsoil \$25 per cubic yard (7)	\$175
planting mixture \$45 per cubic yard (15)	\$675
mulch \$40 per cubic yard (5)	\$200

plant materials

12' shade tree-river birch, maple \$350 ea. (1)	\$350
6' flowering tree-flwg.plum \$200 ea. (2)	\$400
4' upright shrub-viburnum, thuja \$80 ea. (5)	\$400
3' spreading shrub-roses, holly \$50 ea. (9)	\$450
low mow seeding \$0.12 s.f. (1,000)	\$120
grasses-perennials \$5 s.f. (100)	\$500

fencing

4' wood frame/wire \$30 l.f. (40)	\$1,400
post treatment \$75 ea. (2)	\$150

furnishings

rain barrels \$250 ea. (1)	\$250
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Raingarden Total Cost Estimate

subtotal cost \$1.77 per square foot	\$7,070
contingency 10%	\$700
design/engineering 15%	\$700
total project cost	\$8,470

Cost Estimate.....Parcel Area 4,000 square feet (0.09 acre)



- 1 rain barrel
- 2 fence
- 3 grasses
- 4 perennials



Rain gardens are an effective way to manage stormwater run-off from rooftops. The back part of a vacant lot could be converted into a rain garden by directing downspouts from adjacent roofs into the garden. The front of the lot could be used for more active uses or as a garden with seating or as additional parking for the residents on the street.

From Reimagining Cleveland

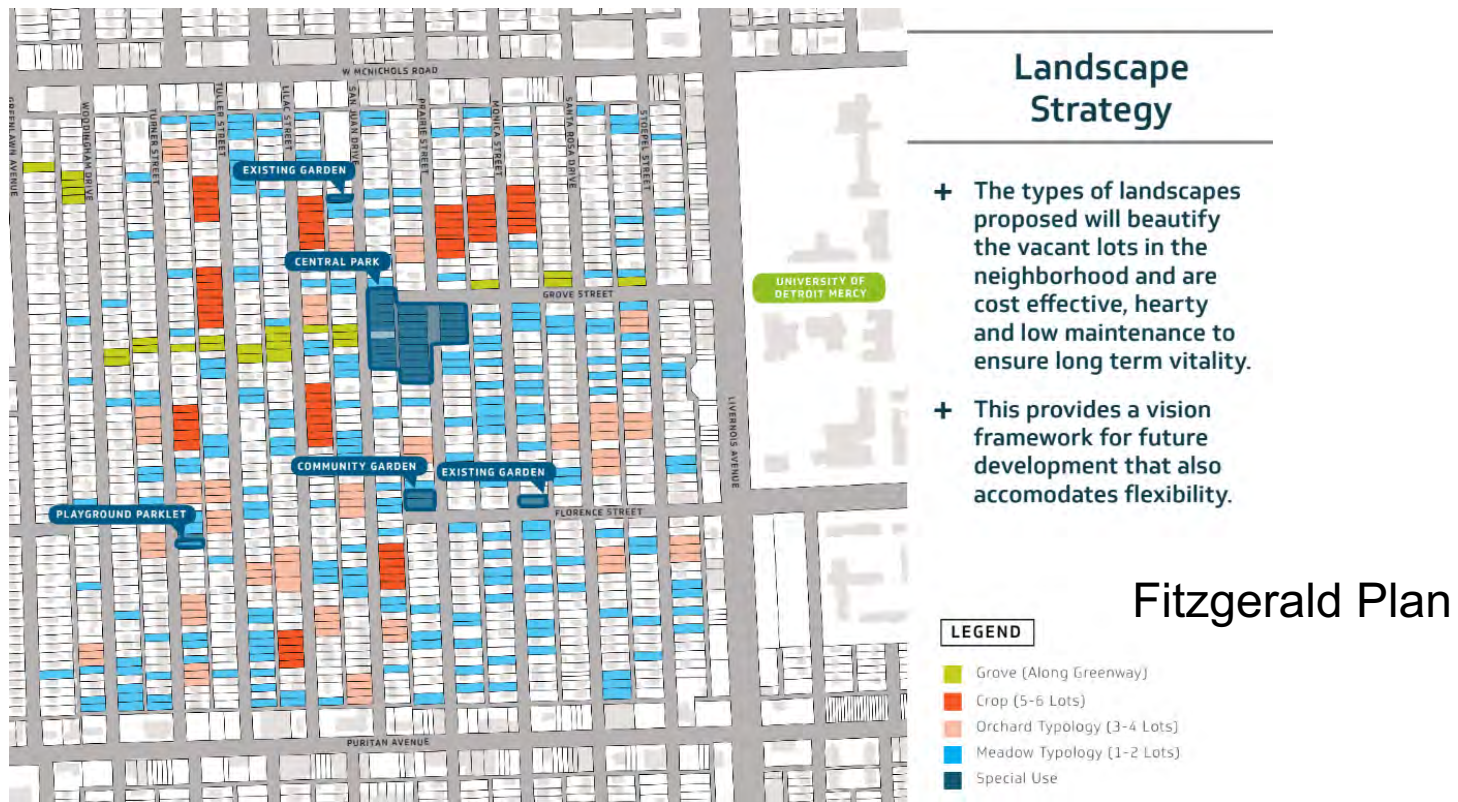
Beyond the Land Bank Horizon

After grant closeout, landbank properties must be obligated or otherwise committed for a specific use that supports neighborhood stabilization. Properties will be considered obligated for redevelopment if the property is:

- (1) Owned by a local government or non-profit entity and identified under a Consolidated Plan approved by HUD for use as a CDBG-eligible public improvement such as parks, open space, or flood control;
- (2) Owned by a community land trust to create affordable housing;
- (3) Transferred to and committed for any other use in the grantee's CDBG program, included in an annual Action Plan, subject to all CDBG regulations and no longer part of the NSP program;
- (4) Designated for affordable housing in accordance with HERA and under development by an eligible development entity which has control of the site and has expended predevelopment costs; or
- (5) Included in a redevelopment plan that has been approved by the local governing body.

Beyond the Land Bank Horizon

Any NSP assisted properties remaining in the land bank ten years after the date of grant closeout shall revert entirely to the CDBG program and must be immediately used to meet a national objective or disposed of in accordance with CDBG use of real property requirements.



DRGR & Land Banks

Management of Land Banks in DRGR

- Overview on Set Up
 - Land Banks are established in DRGR to acquire and hold property.
 - Land Banks must meet **TWO** national objectives – 1st when established and usually it will be an **area benefit**. The 2nd is met when properties are disposed.



DRGR & Land Banks

- Ultimately, properties will be used to meet a National Objective such as rehabilitation, redevelopment, or demolition.
 - Accomplishments such as beneficiaries will be recorded in the activities established for those actions.
 - Acquisition costs can remain in the land bank activity, but all other costs should be recorded under the end use activity.

DRGR & Land Banks

– Address Data

- Addresses should be recorded in the Land Bank activity when acquired and again in the activities that meet the end uses.
- This is the only exception for duplication!
- The Land Bank addresses will NOT need affordability data. However, properties remaining in the Land Bank at closeout will need deadline dates for use of the property on the address support screen.
- Affordability data is recorded only in the activity that met the National Objective.

DRGR & Land Banks

Enter Required Address Info - Post Closeout

Edit Address Support Information

Grant Number:
B-11-DN-06-0001
Activity Type:
Administration

Grant Activity Number:
8113-21A
Activity Title:
General Administration

***Property Status: Affordability Start Date: Affordability End Date:**
Select
[Select Date](#) (ex: mm/dd/yyyy) [Select Date](#) (ex: mm/dd/yyyy)

Description of Affordability Method (Resale, Recapture, Rental or Other):

Activity Type for End Use:

Projected Disposition Date: Actual Disposition Date:

[Select Date](#) (ex: mm/dd/yyyy) [Select Date](#) (ex: mm/dd/yyyy)

National Objective for End Use: Date National Objective is met: Deadline Date:

[Select Date](#) (ex: mm/dd/yyyy) [Select Date](#) (ex: mm/dd/yyyy)

Description of End Use:

Total Expenditure Amount #:

These are the only dates on the Address Support Information Screen that will be completed for properties remaining in the land bank at closeout.

See next slide for details.

DRGR & Land Banks

Enter Required Address Info - Post Closeout

Edit Address Support Information

Grant Number:
B-11-DN-06-0001
Activity Type:
Administration

Grant Activity Number:
8113-21A
Activity Title:
General Administration

***Property Status:** **Affordability Start Date:** **Affordability End Date:**

Select Date (ex: mm/dd/yyyy) Select Date (ex: mm/dd/yyyy)
Affordability Method (Resale, Recapture, Rental or Other):

Select
Under Way
Completed
Withdrawn
Afford End

Activity Type for End Use: **Projected Disposition Date:** **Actual Disposition Date:**

Select Date (ex: mm/dd/yyyy) Select Date (ex: mm/dd/yyyy)

National Objective for End Use: **Date National Objective is met:** **Deadline Date:**

Select Date (ex: mm/dd/yyyy) Select Date (ex: mm/dd/yyyy)

Description of End Use:

Total Expenditure Amount #:

|

At closeout, properties remaining in the Land Bank will have a status of Underway.

DRGR & Land Banks

- Address Support Information for properties in Land Bank at Closeout
 - a.The proposed date of disposition from you Land Bank Management Plan.
 - b.The actual date of disposition (to be updated later upon disposition.)
 - c.The deadline date, which is ten years from the date of closeout.

DRGR & Land Banks

- What should be in the Land Bank Activity at Closeout?
 - Note: Instructions are the same whether NSP funds are used for end use or not
 - At closeout the information in the Land Bank activity will include:
 - Acquisition and holding costs
 - Demolition costs, if demolition is not the end use
 - Addresses and for those remaining in the Land Bank the deadline information
 - No beneficiary data

DRGR & Land Banks

Reminder of Activity Types In DRGR for NSP

Enter Required Address Info - Post Closeout

Edit Address Support Information

Grant Number:

B-11-DN-06-0001

Activity Type:

Administration

Grant Activity Number:

8113-21A

Activity Title:

General Administration

*Property Status: Affordability Start Date: Affordability End Date:

Select ▼

Select Date (ex: mm/dd/yyyy)

Select Date (ex: mm/dd/yyyy)

Description of Affordability Method (Resale, Recapture, Rental or Other):

Activity Type for End Use:

Select
Acquisition - general
Administration
Clearance and Demolition
Construction of new housing
Disposition
Homeownership Assistance to low- and moderate-income
Land Banking - Acquisition (NSP Only)
Land Banking - Disposition (NSP Only)
Planning
Public services
Rehabilitation/reconstruction of residential structures
Relocation payments and assistance

Projected Disposition Date: Actual Disposition Date:

Select Date (ex: mm/dd/yyyy)

Select Date (ex: mm/dd/yyyy)

Objective is met: Deadline Date:

yyyy)

Select Date (ex: mm/dd/yyyy)

Total Expenditure Amount #:

Save Address Info

Cancel



DRGR & Land Banks

Acquisition activity type:

- Use to record all land banked properties
- Enter all acquisition and holding costs
- Enter addresses of all land banked activities. Addresses should not be deleted after end use met
- Enter Land Bank management plan dates into DRGR address support data screens in accordance with current guidance at closeout for those properties remaining in the Land Bank
- Should almost always meet Area Benefit National Objective
- Multiple, non-contiguous land bank areas in one land bank activity is ok so long as each individual area meets the LH25 or LMMI area threshold

DRGR & Land Banks



Rehabilitation:

- New activity set up or existing activity is used for Rehabilitation of Residential Properties
- Disposition costs should be recorded in the new activity
- LH25 or LMMI direct benefit
- Beneficiary data recorded
- Address and continued affordability info necessary

DRGR & Land Banks

Demolition As Part of Land Bank

- If land banked property results in demolition and property is being held for a separate end use
 - Costs for Demo recorded under the land bank activity
 - Disposition costs should be recorded under the land bank activity
 - Area benefit
 - Address should be recorded but no affordability information in the Land Bank address
 - Be mindful of demolition caps

DRGR & Land Banks

Demolition As The End Use

- If land banked property results in demolition and demolition meets a National Objective
 - New activity or existing activity is used for Demolition. (If Demolition was not in original Action Plan, then speak to HUD rep about possible need for Substantial Amendment.)
 - Disposition costs should be recorded under the Demolition activity type
 - Area benefit
 - Address should be recorded again but no affordability info is needed for Demolition activities
 - Be mindful of demolition caps

DRGR & Land Bank



Redevelopment:

- If land banked property results in redevelopment
 - New activity is created or existing activity is used under Eligible use E
 - Disposition costs should be recorded under redevelopment activity type
 - LH25 or LMMI direct benefit
 - Beneficiary data is recorded
 - Address and continued affordability info necessary

DRGR & Land Bank

Disposition Activity Type:

- Set up new activity or use existing activity under the Land Bank – NSP Disposition Only activity type or use
- Only use if the land banked property does not end up as demolished, rehabbed for sale or rent, or redeveloped as the end use
- Record disposition costs
- Address should be recorded again but no affordability info is needed for disposition only.

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DETROIT - FITZGERALD NEIGHBORHOOD



DETROIT - FITZGERALD NEIGHBORHOOD



DETROIT - FITZGERALD NEIGHBORHOOD



Resources

Policy Alerts

Guidance on Land Bank Disposition – November 25, 2014

<https://www.hudexchange.info/resource/4311/hud-nsp-policy-alert-guidance-on-land-disposition>

Guidance on NSP Disposition and Demolition – March 14, 2013

<https://www.hudexchange.info/resource/2888/hud-nsp-policy-alert-guidance-on-nsp-disposition-and-demolition>

Reimagining Cleveland <http://www.clevelandnp.org/reimagining-cleveland/>

Fitz Forward Detroit: <http://www.fitzgerald-detroit.com/>

NSP on HUD Resource Exchange: <https://www.hudexchange.info/programs/nsp/>



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Thank you!

Please complete our survey!

