HUD NSP Training - Land Banking, 4/10/12

Kent Buhl: Okay. Today's webinar is the third in the "What Now? Marketing, Disposition and Other Strategies to Dispose of NSP Inventory" series. And we'll be examining land banking.

So the webinar is designed for grantees who run land banks, conduct land banking or are interested in transitioning properties to land banks.

The presenters will cover the keys to a successful land bank, including holding and maintenance, innovative interim uses, and NSP eligible end uses. In addition, marketing and disposition strategies will be covered in connection with previous webinars in this series and the Cuyahoga County Land Revitalization Corporation's land bank will also be featured as a case study.

And let me ring Walter Howell to the mike to discuss this series. All right, Walter.

Walter Howell: Hi, Kent. Welcome, everyone. We're glad that you're participating in the third webinar in our series of four on disposition strategies. If you've missed the previous two on marketing and disposition and scattered-site rental the materials are up on the NSP Resource Exchange and the materials for this webinar will be up shortly.

So we hope that you've enjoyed this new series and also, please join us for the grand finale, webinar number four coming up next week. So it'll be next Tuesday 2:00 to 4:00 p.m. and there will be a best practices peer to peer, an expert roundtable and we'll be talking about these same topics on disposition, marketing, scattered-site, land banking, financing and we hope you can join us for that.

I also wanted to let people know that there's going to be eight NSP problem solving clinics coming up in the spring and summer for grantees and your partners. The first one is April 24th and 25th. So just two weeks away in Stockton, California. So any grantees in this area we encourage you to register online. There's also a listserv e-mail out to give you the registration information and you can register up to 10 of your grantee, staff and partners for that. And each clinic is going to have two tracks of workshop, one for new and old grantees and also some one on one expert consultation session. So hope to get you guys some one on one TA at these clinics.

And one of the workshops at the training will be on disposition strategies. So if you want to dive deeper into any of these topics in this webinar series you can attend any number of the eight clinics and you can see their locations and tentative dates on the NSP Resource Exchange.

So with that, we'll turn it over to start the land banking presentation.

Kent Buhl: Thank you, Walter. And we've got a number of people with us today, as you can see in the panelist list.

We've got Michael Freeman, who is the program director for capacity building with the Center for Community Progress, and he joins us from Flint, Michigan.

Matthew Do is a program officer at Enterprise Community Partners who is focused heavily on NSP. He is based in Washington, D.C.

Bill Whitney is the chief operating officer for the Cuyahoga County Land Reutilization Corporation, also known as the Cuyahoga Land Bank. And Bill joins us from my hometown of Cleveland, Ohio.

And we've got some -- the folks that you are used to hearing today. I think we have all three of John Laswick, David Noguera and Hunter Kurtz, I believe under the name of John Laswick in the panelist list.

So welcome to our HUD reps from HUD headquarters in Washington. And we also have, not listed here, but also in the panelist list Kim Graziani from the Center for Community Progress and Mike Schramm from the Cuyahoga Land Bank who will not be part of the formal presentation, but are available during the Q&A sections to help us with our understanding of this land banking process.

So with that, let me turn this over to Michael Freeman for the Center for Community Progress. Hi, Michael.

Michael Freeman: Hi. How are you doing?

Good afternoon, everybody. We'll start out with just a common definition of a land bank and what a land bank is for the NSP program. A land bank is a governmental or a non-governmental nonprofit entity established, at least in part, to assemble, temporarily manage and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging reuse or redevelopment of urban property.

Land banks are also considered subrecipients. The difference between land banking and land banks, there's really no difference for land banking activities specific to the NSP program. However, land banks really vary greatly, depending upon where you're located. There are some states within the country that have other ordinance or legislation that backs the creation of formal land banks, which are typically quasi-governmental entities.

They also have nonprofit organizations and other entities. Even governmental entities do land banking activity without being really formalized land banks. But the prescription by NSP for land banking activities is really the same for everybody even though the entity or the conduit for the land banking may differ throughout the country.

What is a land bank? If a land bank is a governmental entity it may maintain a foreclosed property that it does not own provided it charges the owner of the property the full cost of services or the service or places a lien on the property for the full cost of the service. Land banks, actually are structured to land bank on behalf of other entities, but for the NSP program for-profit entities are excluded from NSP assisted land banking activities. So essentially, when you land bank on behalf of, let's say, a nonprofit such as -- let's say if it's Habitat for Humanity, if it's a foreclosed property that was received as a donation it can be land banked.

However, once it's been discharged from a land bank, either the full cost of service has to be reimbursed or that lien has to be placed on the property, which provides for the eligible end use requirement to be fulfilled within the process.

Elements of an effective land bank. Land banks are connected to the tax for collection in foreclosure process. This is where governmentally, legislatively, created by ordinance they are connected to absorbing these properties, bringing them back into productive use and specifically, I guess they can absorb other properties other than foreclosed. But when it's NSP or tied to NSP these must be foreclosed properties. Land banks are scaled at the metropolitan level or the most diverse real estate market possible.

Land banking is an excellent strategy at a local level as it fits well with areas of diverse markets and that properties require patient planning and diverse funding mechanisms that may be required to stabilize larger areas. They're policy driven; they're transparent in their policies and transactions.

All land banks and all land banking activity should be transparent in its policies and transactions. This is a general rule for land banks across the board, but this is even more critical as federal funding is being used on these properties. So essentially, when you acquire a property the maintenance of that property, procurement associated with that maintenance, how it's disposed of, these things should be transparent documents, which are provided to the locality and the citizens of the community as well.

But it's seen as a consistent affair and an equal process. Effective land banks work in markets that are targeted by the community for redevelopment. Land banks are effective through effectively channeling their resources and targeted neighborhoods should be chosen as the focus of property assembly so that you can maximize the impact, while there is the ability to acquire significant numbers of properties in the community. And maybe the effective land bank would choose to look at specific areas of acquisition so that what they're doing or the impact that they have in the community is actually measurable, it's visible and it's relevant to the community that's being served. Effective land banks have an emphasis on community engagement participation. They work with the community and other stakeholders at all points of their activities, its acquisition, its management, maintenance and its disposition.

This is in order for land banks to identify tipping point properties. They have to know their community, know what the stakeholders desire, what they would like to see. Stakeholders and other community members and participants can help design cost effective and community supported maintenance strategies and they can ultimately help brainstorm disposition strategies that meet the best and highest use requirements of local residents and neighborhoods. So when we look at the most effective land banks in the countries these are the core and fundamental values that are maintained and the way that they design their entire land banking program.

And I'll switch this now over to Matt. Let me see, is Matt there?

Matthew Do: Yes. Sorry, I was just waiting for the control there. I'm going to go into a little bit more of the land banking activities for NSP. And we're doing a little bit more background here than the previous two sessions on marketing and disposition partly because we realize that this is somewhat of a new activity for a lot of the NSP grantees.

So we wanted to do a little bit more background. So more relationship to the program as a context. And so this slide here on really what a land bank can do is part of that. And really, I think the key take away from this slide is that we're talking about a defined geographic area. So that may overlap with the NSP target areas that grantees have already defined.

And then land banks will purchase, maintain and dispose. I think those are the three key activities that we're really talking about and we'll get into those a little bit more. We added the eligible use definition here really to drive the point home that we're talking about foreclosed properties here and really talking about operating the land banks in these activities. So this next slide is really just a reiteration of some of those points.

And again, the eligible activities are acquisition and disposition and we're talking foreclosed properties. And really, that includes a lot of the associated activities. So due diligence on your purchase, the purchase price itself, obviously, closing costs of the purchase. And then that middle ground, which we'll get into a little bit more, the interim and the maintenance and management period between acquisition and disposition.

Now, it's certainly part of land banking for NSP. And then on the back end on that disposition, the resale, closing costs and other related costs for the disposition. This is a graphic here that we put together just to drive the point home a little bit more that we're talking, again, about three buckets of activities for an NSP land bank. We're talking about the acquisition, we're talking about the maintenance and holding period and there are some interesting things to consider at this point. We're going to talk about interim uses and of course, there's a maximum 10-year holding period for NSP properties. And then we have the bucket of disposition. And when we're at this stage we're really looking to meet an eligible end use and get to a national objective and there are a few different ways to do that.

One thing I want to point out that's really critical to land banking, but also to the other NSP activities, such as rehab and redevelopment, the site selection and the property selection upfront when you acquire the property is really the key and it's going to drive how you can plan for that redevelopment. And it's also going to drive whether the disposition strategy is ultimately successful.

So I think that's a key to this and again, as I said, other NSP activities are certainly much the same way. The property selection is a really critical point. So we're going to start sort of the beginning of that lifecycle with some key provisions for NSP in the acquisition and really, this works the same way, because we're working with foreclosed properties when we're talking about NSP land banks. All the rules apply that would apply to other activities you're conducting when you're purchasing foreclosed properties.

So that includes the purchase discount requirement and then also, and as I brought up already, the NSP target areas is also going to be a key. And there's going to be some overlap and perhaps the land bank is operating at a smaller scale than some of the targeted areas, but obviously, those are the areas you're going to look for for the properties. And so related to acquisition, there are a few key crosscutting federal requirements, one of them being Uniform Relocation Act.

So properties have to be vacant prior to entry to a land bank, but not necessarily at the acquisition. So you certainly need to consider URA, which includes notices to the owner and seller, notices to the tenant if there are tenants in the building, and then an analysis if there are occupants on what services and payments may be necessary for relocation.

Also, I wanted to bring up the tenant protections under the Recovery Act. So again, we're talking about foreclosed properties and foreclosed properties that have been foreclosed on after February 17, 2009 and which have bona fide tenants are subject to the Recovery Act tenant protection requirement.

Another crosscutting requirement, and I'm sure everybody is aware of this one -- environmental review. Of course, prior to committing funds, prior to acquisition it's going to be a requirement and really, I think maybe more so than other activities a tiering or a neighborhood target review is certainly helpful for land banks and really to expedite the process for the environmental review. We're already talking about certain geographic areas and targeted geographic areas. So this is an opportunity to really take a look at that area, especially if it has distinct or similar characteristics, I should say and look at creating a tiered review to help really quicken that process to look only to site specific reviews as necessary once that tier one is complete.

So with this slide, the assembling properties, this is really intended to give a sense of how you can put properties together into a land bank when you're not directly acquiring, when you're not spending NSP dollars to directly acquire properties. And there are a couple different ways that can happen.

One of them is obviously demolition. You may have a situation where you've committed funds with a different entity to demolish properties. This is a way to connect those activities to a land bank once properties are demolished, to put them in the land bank, especially is there is no clear, immediate plan for reuse. And the market doesn't justify maybe a quick redevelopment after a demolition.

Another way is foreclosed property donations. This could be a deed-in-lieu transfer. And as it was mentioned in the strategies of the effective land bank characteristics, tax foreclosure is one where, especially if you're a local government and a land bank entity, really connecting into the tax collection and foreclosure process.

So these, again, are just some ways that a land bank can assemble properties without directly acquiring or spending money for acquisition. So quickly, going to touch on some of the end uses before we go on to some of the interim uses and what we can do there. And so we're really looking at three, I think, major categories for reuse and redevelopment. And the objective here is, again, that all land bank properties have to meet a national objective with the end use.

So we have redevelopment for housing, side lot disposition and for NSP 1 grantees that are able to do public facilities that's certainly an option for redevelopment. So one of the more common strategies, redevelopment for housing is presented here. And so really, one distinction I wanted to make was that once we're talking about redevelopment it's not an eligible Use C activity.

So it's not, for NSP purposes, a land banking activity and that really relates back to the definition that we talked about at the beginning -- redevelopment, rehab, new construction. That wasn't part of what NSP can do under land banking. So I just wanted to point that out. I know there's been a little bit of misunderstanding or some confusion on that point. So for redevelopment, we can talk about rental or home ownership unit, certainly depending on the market and what the needs are in your community.

And then very similar to redevelopment under eligible Use E, all the same processes and restrictions apply. So you'll need to think about the sale prices for the ownership units as a lesser of fair market value or total development costs. And then obviously, the big one to meet the national objective we're going to need to have the affordability and either the tenant or the owner income certifications complete.

I'm going to pause here and see if there are any questions before I pass this back to Michael to go into a little bit more of the additional guidance related to land bank activities and into some interim uses.

Kent Buhl: We do have a question. And let's go to David, I'll unmute you now. Hi, David.

Q: Hi. My question was related to the previous slide where you said about public uses. And we have a particular land bank site that is in a flood plain and we really can't use it for anything, but public space. We're looking at doing a community garden on it. The one question we have is, would we need to convert that into activity E in order to transfer it to an entity or can it just be done under activity C, the land banking activity?

Matthew Do: I'll start with that and maybe John or David can jump in. My first question would be to ask if there are any costs or any additional activities associated with converting that. I think that'll be one of the considerations. But also, certainly if you already have the property and it already meets the area benefit and the public facility requirements of CDBG I don't know that there's a reason to convert that to a different activity just to qualify the end use. But I'll let John and David jump in there.

John Laswick: Yeah. I agree with that. I mean, you can sell it directly out of the land bank activity there as disposition. Did you say it was NSP 1 fund use for this?

Q: Yeah. And we purchased that particular lot for a dollar.

John Laswick: Uh-huh. Well, that's fine. It's just that under E in NSP 2 and 3 you can only redevelop for housing. So it's a little more restricted in that sense, but you could do what you're trying to do there to take a property out of the land bank and turn it into a park or a community garden or some other kind of neighborhood area benefit type activity. And there's no need to sort of walk it through another eligible use to get there.

Q: Thank you very much.

Kent Buhl: Thank you, David. And at the moment I see no other questions. So I guess we can turn this back over to Michael.

Michael Freeman: Okay. So I'm going to dig a little bit deeper into basically end use activities and how you get there. Now, let's see, here we go. For the redevelopment of housing, we've already discussed that you've got really 10 years for compliance with those, but a lot can change over 10 years and budgets change. And your initial projections based on your initial analysis when you acquire the property, you just never know.

Many people, by the time that the properties are ready for redevelopment maybe using NSP program income, which is eligible both for rental financing, for homeownership financing and making sure to respect the low income set-aside requirements when using that program income. However, in the potential absence of maybe your anticipated NSP program income, there are other layers of financing that you can place into this project or into your intended project.

So that may be HOME funds; it can be low income housing tax credits, brownfield incentives for rental housing, historic tax credits as well and developer equity. There's a number of different financing instruments. The one caution, I guess, is when you're looking at the redevelopment of these properties and if you are within a specific timeframe to meet the eligible end use requirement that the additional layering of financing can sometimes lengthen or complicate a project.

And also, when you're using NSP funding you're required to meet either low income set-aside or LMMH requirements. But if you introduce these other layers, like home or low income housing tax credits that you will actually have to obey the income requirements associated with those other funds. So that's one caution.

And then another caution may be with HOME funds, when initially let's say you were to land bank a unit that was vacant at time of acquisition, it was a foreclosed unit. For this interim period there's some lease arrangement associated with it and the appropriate notifications were made to individuals who were leasing and we'll talk a little bit more about this later on. But if you introduce HOME funds after the fact and you had not intended to use those there may be some URA implications associated with that.

So it's always that caution of being a little bit more intentional about what you're going to do with a project and how it's going to be used in absence of the crystal ball of knowing what's going to happen, with market conditions and what you may require.

John Laswick: Can I jump in for a second?

Michael Freeman: Sure.

John Laswick: I think what you said is accurate, but I don't think people should get the impression that a property has to be redeveloped according to the most restrictive requirements. It's sometimes possible to do a pro rata type of arrangement or something like that. So there's a little bit of flexibility there and I just wanted to point that out.

Michael Freeman: Oh, no. That's great, actually. That's good to know moving forward.

End uses for land bank properties. So in side lot dispositions, when you're selling a vacant land bank property to an adjacent owner they need to meet the NSP income requirements. It's necessary as well when you have a side lot disposition program that you create policies which are transparent, fair and consistent. That way when people are acquiring these properties people know what they're going to encounter and that it is consistent for all people.

I think that's one of the biggest tripping points I've seen with a number of land banks is that they don't have solidified disposition guidelines and then typically, they are accused of favoritism or there must be something more to it. I think that's the biggest caution. And at the end of the presentation we'll actually give you a resource that you can look at that HUD has on its website.

It's a toolkit for land banking, which actually lays out policies and procedures and side-lot programming. So there are tools that you can see how things can be made consistent for the organization.

Let me see; did it jump ahead? Yes. I did. Hold on a second. No. I didn't. I'm sorry; this is my first time using a webinar. So please forgive.

Kent Buhl: You're doing fine.

Michel Freeman: So end use of land bank properties. NSP 1 only is for public facilities and I think that's been covered somewhat. Now, NSP 2 and 3 actually have to result in housing or some residential application. For public facilities they have to meet the CDBG public facility eligibility. So this would be community parks, recreational facilities, community gardens.

And so that, I believe we've covered holding and maintenance. Now, we talked about there's a 10-year maximum holding period. Land banking is considered an interim use and it must be obligated for reuse or redevelopment within that 10-year period. NSP can pay for boarding, taxes, maintenance costs. It can be used to hold properties in static condition and all procurement requirements apply when using NSP funds for boarding and maintenance and as by third party entities as well. There are toolbox documents established that show what these boarding and maintenance RFPs will look like.

One thing about that we are constantly reminded of is that demolition itself is not an eligible end use during that 10-year period. So it does need to be brought to some conclusion. And so one of the issues, I guess I was thinking about related to, let's say, payment of taxes is that when you think about your design for your holding instrument or your land bank about who it's comprised of and who is involved in that.

Let's say, if a local unit of government is the fiduciary for the NSP funding and they are also the tax collection unit one of the concerns would be is a government construct, like it's the city that's doing the land banking. And then ultimately, it may be perceived that the payment of taxes is just enriching the city, they're paying themselves effectively.

So I look at this as, let's say, throughout Michigan we actually have county land banks which are completely separate and distinct from local units of government. The city is actually the fiduciary for the grant funds. The land bank is a subrecipient and they are able to pay those taxes as customary holding costs associated with those properties, because there is that arm's length and they are two distinct entities.

And that if it is a land bank instrument which is heavily influenced or populated by city representation, would that then be considered the collection of taxes? They're essentially paying themselves. And so it's just the reminder that when you're looking at these holding costs for the static condition of the property that there should be that arm's length.

And John, did I actually phrase that correctly? This can be a little bit sensitive, I guess.

John Laswick: I think you did all right.

Michael Freeman: Okay. That's good. Reuse and redevelopment planning. This goes, again, back to the initial slide where we talk about when you're making your decisions on how you're going to redevelopment that property, how you're going to meet that eligible end use. I guess, while you're able to do it for a 10-year period the comfort level for me specifically as a consultant working with nonprofits or with land banking entities is that don't get too comfortable with that amount of time and that you should hopefully reach something sooner.

And hopefully the 10-year is just your emergency threshold. I've worked with a number of organizations who like to try and keep it within actually their grant period so that they're able to close out that grant. You need to think essentially about how the organization or your development entity will pay for those costs, let's say, if you go past that three year or your grant period.

You still have to keep a property in a static condition or something that doesn't degenerate and become an adverse condition within your neighborhood. Essentially, if you come to a point where let's say, you're done with your grant, you anticipate your end use happening, you'll have tax collection during that period, perhaps. You will have maintenance costs.

And so how exactly are you going to plan for that maintenance and care of that property until you've reached the end of the period. Also, going back to that graphic we discussed before you acquired, what was your plan to meet that eligible end use and do you have contingency plans if the plan that you initially had is no longer viable? The smartest organizations I've worked with have looked at their plans and come up with a best case scenario and a worse case scenario looking at three different levels of, how are we going to meet that eligible end use.

The preferred one being maybe redevelopment. The second contingency would be, are we able to move this property forward as a side lot. Or third, will they be able to identify a developer or maybe community development corporation or other partner that can help them meet that use. So really, being very aware in your planning process about the characteristics of a neighborhood and what kind of opportunities ultimately you could be provided with. Having one egg in a basket could be a fairly risky scenario.

Under temporary and interim uses, this is where maybe the presentation gets a little bit more fun and interesting, I'm hoping. Now, the actual interim use activities, I want to preface this, are potentially not always things that you can pay for with the NSP program.

Anything that may be beyond just static maintenance and code-related activities may not be eligible for payment. But this is in thinking creatively about how to use these properties and to make sure that they're an asset for your neighborhood during that period that you're planning or you're putting everything together so you can meet your eligible end use. These are the strategies that we like to see land banking organizations think about.

So if they're mothballing buildings, which I think the mothballing approach can lead to maybe some community detriment, they can be seen as vacant, blighted properties even if they're being kept clean and static. But you have these risks; like what happens if the building catches on fire? What happens is a person is hurt within the building? And then vacant land, there again, maybe you have a plan to go in and just mow the property and keep it clean or free of debris.

Is this ultimately an interim use, which is beneficial to that neighborhood? So we have programs, like let's say, with the city of Flint has a clean and green program where they use vacant land for beautification projects, community gardens. Now, these are even properties that have been acquired and are being land banked under the NSP 2 program. Now, they can't pay for any of the activities that happen on the property.

These are typically done in partnership with our beautification groups, artist collaboratives, people that will come and essentially adopt the property through maybe a more formalized process with the land bank where they're able to make sure that maintenance does take place. Or let's say, if it's a clean and green initiative, if it's an urban garden where the property is environmentally clean, it's being made available to these gardening groups, that it's actually maintained. And there's the ability to, I guess redeem that property if the agreement isn't being met.

And I think that's something that they learned in their first go around is that they had people that were very excited about adopting the lot or the urban gardening and maybe things didn't work out terribly well. So they have these structured agreements, which have been created and have gone past verbal commitment.

Also, notifying people that at any time the property may be recaptured before that adoption or lease period expires. If there is a development opportunity that comes up before your plan or your planned reuse that'll help you move the property forward to that eligible end use, then by all means you need to be able to exercise that within your agreement.

Another interesting thing I've seen in the field has been where land banks have partnered with academic institutions to work in FIDA remediation or to use plant matter to deal with low levels of contamination on sites. One nonprofit that had a service learning component was working with high school students on a FIDA remediation experiment. They came in and planted sunflowers and white clover on the sites that have low level lead contamination to see how fast they could start to mitigate some of those environmental conditions.

The upside of doing that was you had a beautiful vacant lot that was filled with sunflowers and it was being tended and cared for. And neighborhood residents came to value that property not just as the elimination of the blighted structure that was on the property, it became something that people thought aesthetically it improved the streetscape and made people feel really good about it.

So it was kind of interesting as far as this interim use for that property. Public art has also been a way that we've dealt with either parcels with structures on them and without. The Genesee County Land Bank at one point had a number of boarded -- you know, they were properties that were boarded and secured and they were planned for redevelopment, but it was going to be roughly eight months before they could actually redevelop the property. An artist came in and painted the boarding on the windows and they were scenes of habitants of curtains and furnishing in the windows.

And it was, to a certain degree, considered public art, because it was a vision of what these properties could be and should be. Another land bank in Lansing had a structure, it was really the skid row hotel of their community that had always been seen as a problem. It was going to be maybe a few months before they could actually demolish the property.

And so they decided to invite graffiti artists from all over the Midwest to come in and graffiti pretty much every square inch of the building and they did this as a public arts project and raised awareness of this building. And what their intent was actually to demonstrate that this was going to be a site for redevelopment eventually and that it would be a vacant property, which would be made available for the eligible end use. But it was just a creative way of looking at a property and how you can bring arts to it.

So we're not just in this cookie-cutter mode of acquiring properties doing basic maintenance and management and then ultimately disposing the properties. But there's some innovation that can happen around it, which is really more community building. As well, these vacant lots on an interim basis can be used for neighborhood associations can do signage. They can do things that promote quality of life for the neighborhood and show that it's not just a vacant lot, but it actually has more intent on the interim basis.

There again, reminding people that a lot of the bricks and mortar costs associated with this transformation are not necessarily eligible to the NSP program, but this is also where you're engaging the community in what you're doing. And I'm going to talk a little bit more about the importance of bringing the community into the interim use of these properties so that you actually have something they value. And they look at NSP as something beyond just providing affordable housing, but it should be neighborhood transformative.

I'm going to jump back into some of the HUD guidance, which has been provided around maybe some of the trickier issues with the NSP program. One question was how the bridge notice impacts the use of land banks under NSP programs.

On June 19, 2009 NSP 1 Federal Register Bridge Notice allowed for the establishment and operation of land banks for homes and residential properties that have been foreclosed upon. This was the basis on, I guess the initial verbiage that allowed for doing land banking under NSP, which has been continued into NSP 2 and then NSP 3 as well.

Can land banking include purchasing a foreclosed or abandoned property that has a structure on it or does the property have to be vacant land? As long as it's been foreclosed upon it can have a structure on it or be vacant land. The only time that you can't land bank with properties is if it's abandoned. Then other eligible uses would have to be employed with a more immediate reuse of that property. How does a land bank differ from a land trust really comes down to land banking is considered an interim activity.

Land banking is not supposed to be forever and ever. Land trusts, actually can't stay -- you can land trust properties that is a permanent structure, but that is not what the NSP program is intended for unless you are using the land trust to create affordable housing. So for example, the land trust could acquire homes or residential land from NSP funds, then build a new or rehabilitate existing housing and sell them to NSP eligible homebuyers while retaining ownership of the land. And the benefit here is that the exclusion of the price of the land keeps the homes affordable for a longer term period.

If the grantee buys property for the purposes of land bank under eligible Use C and allows tenants to move in, we talked a little bit about that before. There again, with the clarification from John that you would have to look at that maybe pro rata share of the development being maybe for the more restrictive requirements of the project.

So if it's HOME funds then depending upon the investment of the HOME funds may affect how much you can provide at 80 percent and then how much at 120 percent of AMI. And that was the answer to it.

It looks like we've got a couple questions that are queuing up. I know that I thought about doing my questions a little bit later, but I wanted to maybe give people a chance to get some of these questions answered.

Kent Buhl: Sure. Let's see, David asked a follow up question about his original question about converting a lot to a community garden space. He asked, "When you use a fair market value, do you mean an appraisal or HUD fair market value estimates for communities?"

Matthew Do: This is Matt. I think we're really talking about on the resale, more of an appraisal, a fair market value assessment. There isn't a requirement for a formal appraisal there, but the expectation is that you'd have a professional estimate of market value for that property. That could be a broker price opinion, some of their qualified means to determine that value. And it's important, I think we would certainly emphasize the use of an appraisal, because this is a pretty important part of redevelopment and how much subsidy is left in the particular property. I don't know if that answers the question or if anybody wants to add on to that.

Kent Buhl: That seems pretty clear.

John Laswick: This is John. I mean, you don't need an appraisal to sell a property or to reuse it for something. I mean, if you're going to use it for housing and then sell it to somebody then you need to know what the value is, but if you're going to take a one dollar tax foreclosed property and turn it into a community garden there really isn't a need for an appraisal to establish that you got a substantial discount from whatever it was worth.

Kent Buhl: Okay. And I believe that Carmen's [ph] question here was answered. She had asked to explain what you mean by side-lot disposition and how it meets the national objective if there is no housing on the lot, but selling it to an adjacent property owner meets that national objective; correct?

John Laswick: Let me take that one. There's a little bit of confusion even among the permanently confused here at HUD about the distinction between land bank properties and other redevelopment. And so let's answer Karmen's question directly first, which is that if a housing side-lot for somebody else's home is still a housing use that property is still residential property and you can sell it, donate it, lease it or whatever you want to -- an income-eligible person and it meets an income national objective LMMI, if that person for some reason is above 120 percent of median you could even lease it to them or make it available to them in exchange for maintenance on an easement basis or something like that.

But the bigger thing, and I'm sort of hearing stirrings of this, is that land bank properties are not included in the recovery act language about redevelopment of housing. Only eligible Use E redevelopment properties that are vacant or demolished are covered by the restriction to housing as a redevelopment use.

So land bank properties could be redeveloped as anything that meets a national objective under the neighborhood stabilization program. Obviously, you've got some restrictions on how you pay for some of those things with NSP, but if you have other sources of funds, CDBG, general revenues or whatever you have a lot of flexibility with what the end use it. It needs to meet a national objective, but lots of things do that aren't housing.

Kent Buhl: Let's go to Sandra [ph] now, who has a couple of questions. Hi, Sandra. Where are you calling from? Sandra, are you there?

Q: Yes. I am.

Kent Buhl: Hi. Where are you calling?

Q: Hi. I'm sorry. I'm from Camden Redevelopment Agency in Camden, New Jersey.

Kent Buhl: Great. Go ahead and ask your questions.

Q: Well, my question, I picked up on the demolition, that if I understand correctly, NSP 2 funds cannot be used for demolition during a land banking period. Did I hear that correctly?

John Laswick: Well, eligible use C does not include demolitions, but you can acquire property under eligible use C for use in a land bank, hold it in a land bank and then demolition it with eligible use D if it's blighted. So the criteria for demolition is just that it probably is blighted by local standards. So assuming you have that condition, you can use more than one letter on a property in the NSP program and it's not unusual for us to see properties that were acquired under perhaps B and then they demolished a house and they redeveloped it under E. So you have B, D and E in there. So it's kind of a technical distinction, but you still could do it.

Q: Okay. And I think that you may have answered my second question, which is if a number of properties are being demolished and some parts of the space is going to be open space and green and cleaned in this new development, would the demolition dollars still be available for this? I mean, would NSP 2 dollars still be used as an end use?

John Laswick: Well, essentially, in order to use demolition funds from NSP the property must be blighted. So if the properties you're talking about are blighted then you can demolish them. Then the question is whether you've actually acquired it or whether you're just demolishing somebody else's property. Assuming that you've acquired it, when you demolish it you probably meet a national objective by removing a dangerous building or improving the neighborhood through a comprehensive program of demolition.

But you still have to meet a national objective for the acquisition. So if the property was foreclosed upon and it qualifies to be in a land bank then you can do any number of redevelopment type things with those properties, including open space. However, if NSP 2, as in your case, at least the case that I'm aware of, you can't use NSP funds for the subsequent improvements or the open space or whatever it is.

So if you were going to put some paths in or something like that you would have to find another source of funds for that, but that end use could still meet a national objective.

Q: Okay. Thank you very much.

Kent Buhl: Thank you, Sandra. And let's see, let's go to Christopher [ph]. Hi, Christopher.

Q: Yes. Hello. I'm calling from the Adams County Housing Authority in Denver, Colorado. My question was related to, I think David's earlier, which was basically that if you acquired land, let's say, a large parcel using NSP 1 funds under the land banking activity, but you subsequently disposed of a portion of that land and you all the while contemplated a redevelopment of an affordable housing project on a portion of the property. Could you recycle the program income from the excess land dispositions into the redevelopment project or do you need to recharacterize it as a different activity?

Matthew Do: It sounds to me, if I'm understanding correctly that it would be a redevelopment activity. So a separate activity, but certainly eligible. You're talking about the program income from the disposition coming back in --

Q: Correct.

Matthew Do: -- and then using those funds to redevelopment, do some affordable housing? There shouldn't be any problem with reprogramming those funds, but it sounds like the funds would be more better used under a redevelopment activity.

John Laswick: Yeah. This is John. You could do that. So what are you selling the property for? I mean, I guess that's the piece that I'm not getting. I mean, you can use those proceeds, but how are you using -- are you just selling it out of the program at fair market value or something?

Q: Well, a portion of the property that is to be redeveloped would actually be acquired using NSP 3 funds. It's kind of interesting, because we are acquiring more lands than we were originally intending to based on the foreclosure and the need to control the entire site as opposed to the portion that we were trying to get. So there would be a portion probably coming in right away displaced by NSP 3, but there would be excess lands that we would hope to sell within two or three years that could support a Phase II development on this parcel that we're planning out.

John Laswick: So excess land to be used for what? You're going to sell it to somebody else to do housing?

Q: Correct. It's currently zoned residential. A portion of it's actually mixed use, but overall it's one large area that has 600 units on it or is zoned for 600 units, rather. But we would dispose of the excess land and hopefully either those funds would be program income that we don't have to figure out what to do or they could go into the second phase of development for multifamily rental housing.

John Laswick: Well, I just want to make sure you meet a national objective when you sell that property. Either that or you follow the change of use. Well see, if you haven't met a national objective with it in the first place then you need to make sure it's meeting a national objective when you -- I mean, I'm not sure that disposing of it is going to get you there. So we might need to talk a little more offline about this. But I mean, I don't have a problem with using program income to maintain and/or redevelop the property. I just want to make sure that you're doing eligible activities all along the line and that when you sell it you're not setting yourself up to try to meet a national objective when you can no longer control the property.

Q: Okay. Is there any way we could follow-up afterwards?

John Laswick: Yeah. You could send just a question into the NSP Resource Exchange in the questions and just put "direct to HUD" on it.

Q: Okay. Great. Thank you.

Kent Buhl: Thanks, Christopher. Let's see, so there are still a few more questions lined up. We could take them now or would you like to keep going?

Michael Freeman: Maybe we can continue through and maybe some of the remaining conversation will help answer some of the questions.

Kent Buhl: Very good.

Michael Freeman: When we were putting together the webinar we started thinking about different case studies or examples that we could provide you about organizations that are land banking in their kind of different markets that they're working in and what kind of things resonated with them. I've been working with an organization in Chicago, which is part of a large network of community development corporations and affordable housing producers.

This office there in Chicago called a Resurrection Project that I felt was a really good example of a smart thinking organization that is concerned with meeting eligible end uses. And their land bank portfolio of properties is fairly small or what they want to land bank is not a substantial number. It's not like you might see in Detroit or Cleveland or other markets. But their specific challenge is that the market is challenging, because of the cost of acquisition and construction.

Where weak market cities, the acquisition is not necessarily challenging; it's the redevelopment and the cost that they sometimes have to put into units. This organization recognized that they had funding for acquisition and demolition and their plan was to use program income to pay for the redevelopment of these properties. But their question was, what happens if we get to redevelopment and marketing conditions take another dip like they have before? Or maybe we can't sell the units as quickly as we need to and they sit on the market for a longer period and that program income doesn't materialize; what do we do then?

Another question is, we need a land banking and if we have a portfolio of maybe 10 properties, how formal do we need to be and how can we work smarter? And then also, if they have to land bank for a longer period or something that goes longer than their three years that they have how are they going to maintain this in the interim?

Taxes are extremely high in the city of Chicago, even on vacant lots. And for them to hold longer could create significant financial difficulty for the organization. So those were the technical assistance issues they came up with. Well, the strategies that we employed for them was to first and foremost, even with a small portfolio of land bank properties you still have to have policies and procedures for land banking.

And we scaled those policies and procedures to reflect maybe the smaller portfolio of properties or what their specific issues are. They had at first started working with a template of basic policies and procedures for land banking, but many of those things would've been sufficient for someone who is land banking 500 properties. And so we scaled those policies and procedures down to what their specific needs were. And then additional technical assistance is provided to the organization for a strategy in each lot.

And so that strategy coming into play when they look to acquire that property, how they're going to treat that property in the interim process we had suggested some of these innovative uses of the properties, the FIDA remediation potential on some of these lots, partnering with the university in Chicago to come in to actually do the testing. If there was any sort of contamination identified on the site that could be a FIDA remediation experiment.

And even if there wasn't interest there, to work with the neighborhood association in the target area maybe to do a sunflower garden, because they were also concerned that they just didn't want vacant lots sitting there for any length of time. Because those were typically the lots that would attract debris, that would attract dumping. And so for them looking at how these could be opportunities for neighborhood building was really critical to them.

And most importantly, what they came up with was this idea of a three-tiered contingency plan for each property to reach the eligible end use. In the most ideal of worlds, their properties, there was a quick turnaround or there would be a quick turnaround of the sale of those NSP units that were being completed under eligible Use A or B, that once those got on the market funds would regenerate the pool of dollars that were available to redevelop and they could sell for redevelop.

As contingency B they always wanted to look at what was their plans for, were the neighbors on either side income eligible to actually purchase that property? So that was a significant concern, because in many cases the amount that they're acquiring and they're demolishing for was significant.

So the property would have to go to someone who is income eligible. And then their third line of defense is actually having preexisting relationships identified with experienced developers or community development corporations that could actually step in and make sure that the eligible end use was met. So that may be partnering with the CDC locally that may have an influx of HOME funds that were available where these units could be redeveloped.

So I like the direction that this nonprofit's going in. They're really hitting all the buttons of planning for properties all the way through the execution of the reuse of that property and each step along the way. So if you will go back to that initial graph, which was established they're really thinking about every step of that process.

And I think from the small organization with a small number of land bank properties to the large organization working potentially in a weak market city, that it is that continuum of thinking, which makes our land banking strategy a lot more effective. So that is my case study discussion.

Going back to maybe more of the planning and organizing around marketing and disposition, I want to go back to highlighting those community partnerships, because some of the best work that's being done within NSP programs have these groups established that can help them work through that process of maintenance, marketing, on to disposition. One example would be the NSP program in Pontiac, Michigan that's in a very challenging environment. They have a target area, which is one of those tipping point neighborhoods, but given the foreclosure crisis that's happened, it's kind of tipping a little bit back in the wrong direction.

And they're having to re-enthuse the community that this is a great place to live. So instead of working in a vacuum they felt that having these community building activities around their NSP program were critical to the ultimate marketing and disposition of properties. So we look at this is two ways is that this community partnership can help deal with these challenges of maintenance.

They can also help them work towards marketing and disposition of those units which are created through the NSP program. So they've started a process of involving first and foremost, the neighborhood association, partner community development corporations, civic groups, faith-based institutions, universities and even onto artist collectives and gardening groups. This has helped them to create new resources for maintenance, new partnerships, like the ones that we've talked about before.

Also, about how do you build communities so that you have, I guess, a livable neighborhood? And so that's been something that at first they hadn't necessarily thought of, because they were just working out the mechanics of the program, but they've gone on to have a more sophisticated approach due to this community engagement.

Some of the tools that they've used to get people engaged and onboard with what's happening have been through community newsletters, websites, social media, their active user of Facebook blogs. They actually have newspaper on standby at all times to actually talk about the innovations in their community with these vacant parcels where I think one of the biggest challenges land banks can have is that they're seen as just sitting on properties and making them inaccessible.

Because our timeline looks a little bit different than the communities, because we're trying to reach best and highest use and the community generally just looks at the property as something that is blighted and needs to be removed or just moved on to some other end user. And we're trying to work more strategically with land banking.

So by educating the community on what's happening with these properties if you have an innovative use, if it's a clean and green program, if it's an arts demonstration project you're able to help the community to understand what you're trying to accomplish and how you're trying to build a better community. So there again, I think this goes back to the ethic of your land banking program being the opportunity to make immediate improvements before the end use is met.

Moving on, let me see. In order to develop the market for completed units, and this goes on to traditional disposition strategies, but this is where you are actively procuring a services of real estate development professionals or bringing them into your process to help brainstorm what these market opportunities are. And how the market may be changing in your community so that you're able to adapt better to what the end use of that property will ultimately be in maintaining compliance.

Also, you want to look at how you're engaging your partner community development corporations or how you're raising awareness of what you're doing at housing fairs or other public events. And then also, that you're working with your local institutions or employers to develop employer assistance housing programs and working with your homeownership counseling programs to develop this pipeline of potential buyers.

So I think these things are all really critical when you're doing your disposition planning and you're thinking about how you're being market responsive and how you're actually going to ensure that when you've met that eligible end use that there's an eligible end user in place. So at this point maybe we'll break for whatever remaining questions are available before we move on t our next case study.

Kent Buhl: Sure. Let's do that. And I will go to Jolene [ph] who's had her hand up patiently. Hi, Jolene.

Q: Hi there. I have two questions and they're actually related to each other. So we are a subrecipient of NSP funds and we have been the purchaser and manager of land bank properties. We redevelop these properties with a network of local partners and they manage redevelopment activities for us through a ground lease agreement. And we were wondering, can our local partners be considered developers for the purpose of NSP and collect developer fees or include contractor profit to redevelop these land bank properties?

John Laswick: That might be not fair to make Michael answer that one. This is John. Possibly they could. You know, if they're doing -- do they control the property? I mean, do they have site control and are they actually developing the new structures themselves?

Q: Absolutely.

John Laswick: I mean, you could have a developer that's hired by or engaged by a subrecipient. So in theory, what you're asking is predictable. Yeah. You don't have to be a developer to get a contractor profit. I mean, we're not trying to drive people out of business. You know, they're allowed to make reasonable fees of reasonable contractors. In distinction to developers, contractors can also earn a profit. It's not a developer fee, but we're expecting that they will be making some money on these things. It just needs to be reasonable and competitive in your marketplace.

So you can select developers without a procurement process. Developers can select contractors without a procurement process, although they have to ensure the cost reasonable. You know, a lot of times that happens through some sort of a competitive process, but most developers that I've worked with go to more than one contractor for prices on carpentry, plumbing or whatever.

So there's different ways to achieve that goal. So chances are that you could setup an arrangement that would function that way.

Q: Okay.

John Laswick: Are you part of an NSP 2 consortium?

Q: No. Right now we're still using NSP 1 funding and then we're going to program income.

John Laswick: Do you have another question?

Q: Yeah. I did, actually. We were considering doing a land trust with NSP funds, but one of the, I guess obstacles we're coming up against is securing the affordability. We have a local partner who has redeveloped some sites and he wants to use them as rental units and perpetuity. And so what, I guess is your best suggestion on securing affordability in a land trust situation?

John Laswick: That's a good question. You know, I'm a fan of land trusts as far as there being really long term propositions. And the way they work is, for those who haven't worked with them, you take the land out of the development cost equation basically and just lease the land to a purchaser of a home. And then every time they sell the home they can sell it for what they can get, but the land is still out of the transaction. So you're subsidizing the price by 15, 20, 25 or more percent. So I guess, sort of to take it as narrowly as possible, you would probably want to look at the same way you do with any subsidy in a housing deal and calculate the direct subsidy to the homebuyer.

So in this case, let's say the land's worth $10,000 and you're going to take that out of the equation and they're paying full market value for everything else. So then your affordability period is based on that $10,000, but this is how I'm thinking about it. I mean, I don't know that home has a sort of calculation for land trusts. So I hope I'm not stepping out of bounds here. So I think there's a way to sit down and analyze, what are you actually putting into these units as opposed to if it's a rental.

You know, what's the subsidy and then match that up with a minimum home affordability period. If your developer wants to do things longer than that they're certainly welcome to do so. You just have to make sure you're meeting the minimum number and that keys off of the direct subsidy per unit. You might want to shoot in a question once you kind of have your head around the numbers and send us a question and ask about.

Q: Sure. Will do.

Kent Buhl: Thank you, Jolene.

John Laswick: Yeah. You know, we're wrestling with this right now in terms of a closeout notice that we're writing and we were just speaking with Yolanda [ph] this morning. You know, we're actively trying to understand how this is going to work and come up with a feasible set of closeout instructions for NSP grantees. And one of the things that makes it difficult with land banks is you don't really know what the redevelopment use might be, if anything. You know, we've got this 10-year period hanging out there.

So we're trying to create some ways for people to meet the requirement without creating phony plans or phony -- or not phony, but just sort of aspirational uses as opposed to something that's really possible just to satisfy a closeout requirement. So committing land to open space by giving it to the parks department might be one way to do that.

You know, one of my ideas was to put the land into a land trust. In there you are ensuring that whenever it's redeveloped it will be redeveloped in an affordable way, but you're not really binding anybody to 10 years or 8 years or something like that. Because I think we see land trust as kind of falling into two categories, those which are temporary and will put themselves out of business and ones which are much more long term and are connected to structural economic changes like you see in Detroit or someplace like that where basically we just don't know what it's going to look like in 30 years, much less 10 years.

So we're trying to create some flexibility for those situations. I think for the shorter term [inaudible] it's not going to be that big of a problem, it's just a question of when the market comes back around.

Kent Buhl: Marge asked the question, "Is rehabilitation under eligible Use C permissible as part of disposition?"

John Laswick: Well, it's not part of eligible Use C, but again, you're not limited to one letter per property. So let's say you acquired a property that you weren't sure what to do with, it was foreclosed. You put it into a land bank or you transferred it in from a tax foreclosure and it sat there for a couple years. And then you realize this thing's got potential. This particular block, there's some developer interest and we could sell it. You can renovate that structure under eligible Use B or under eligible Use E if it's vacant and sell it off that way and that's perfectly fine.

Kent Buhl: And let's go back, once again, to David. Hi, David. Are you in Texas?

Q: Yes.

Kent Buhl: Very good. And go ahead with your questions.

Q: I put in a bunch of them. I'm trying to back to see what I've got. Well, one of them is, if NSP 1 funds are used to purchase a land bank property and then NSP 2 is used to build new homes on those same properties, which set of rules would determine resale value and developer fees, if any?

John Laswick: There really aren't any differences in those two sets of rules between one and two or three. The resale rules were set in NSP 1 that you can't sell a house for more than the lesser of -- pardon?

Kent Buhl: Go ahead, John. That was just some background noise.

John Laswick: Okay. So your sales price is limited to total development cost or appraised value, whichever is lower, but that's true in all three considerations of the program. I forget the other one that you mentioned, but there really isn't any difference on that one either. So I don't think you're constrained. I mean, there's a few places where going from one program to another might tighten up on you in terms of redevelopment. But I didn't hear a problem with the examples that you gave.

Q: Okay. And I did have one other question. It was related to sort of the long term holding costs. As you look at that example recently where you're looking at holding properties well beyond the grant period we're probably going to be in the same situation for some of our properties. Can we include the sort of non-recoverable holding costs, like taxes, insurance and other things in the eventual sales prices of the property in the future?

John Laswick: Now, you can pay for those directly out of the grant or out of program income, but you cannot include them in the cost for the property or the sales price. And that was in the original NSP 1 notice and it hasn't really changed. I mean, the idea is that you're not really adding anything there. You know, you won't sell a house or a building; you're selling it for the value in it. Just putting money into a building to keep it in the same condition isn't changing the value in any way. And so our notice writers limited it in that way and we have not changed that. So it is an eligible cost, it's part of disposition, but it's not a cost that you can pass on in the sale.

Q: Okay. I guess I'm confused about that. So let's say we buy a property for $5,000. We hold it for six years and we have another stream of $500 of costs that we weren't able to recover through grant funds. Could we charge $5,500 for the property and recover it through program income?

John Laswick: Well, normally our rules apply to a house that's being sold for someone's residence, but I think the way the sale of homes language still says that, "In determining the sales price limitation HUD will not consider the cost of boarding up, lawn mowing, simply maintaining the property in a static condition." So it doesn't differentiate between a vacant lot and a home in that sense.

I mean, I think the problem that you're pointing to is one that a lot of land banks are looking at down the road, which is the grant funds are going to run out at some point and the program income may or may not be there, but we still have these maintenance costs. And unfortunately, NSP doesn't have a great answer for you there, except stretch your funds as far as you can.

David Noguera: Well, you've got to find alternatives. Yeah.

John Laswick: Yeah. Find alternative sources. It's kind of --

David Noguera: Well, maintenance doesn't make the property more valuable.

John Laswick: Right. So David is saying maintenance doesn't make the property more valuable, it just makes it not less valuable hopefully.

Q: Okay. Thank you.

John Laswick: So again, you can use the funds as long as they last, but we recognize that that may not be long enough.

Kent Buhl: Thank you for those questions, David. And that's all of the folks in the queue at this moment. So let's take this opportunity to turn the ball over to Bill Whitney. Hi, Bill.

Bill Whitney: Thanks, Kent. I'm going to go through about four slides and then have Mike Schramm our IT director quickly talk about some of our databases and systems. The Cuyahoga County Land Reutilization Corporation, or CCLRC, was born out of the foreclosure crisis, hit Cuyahoga County and our main city, the city of Cleveland, very early and very hard.

After a couple of years the required state enabling legislation that we needed was passed in December, 2008 and various required actions were undertaken by the Cuyahoga County government throughout the first half of 2009. We opened our doors in July, 2009. We're a nonprofit community improvement corporation with our own board of trustees appointed by various government officials.

We are not part of county government, but people use phrases like quasi-governmental or agents of the county to describe us. Land banks have been around for a long time and we like to modestly describe ourselves as a land bank on steroids. We don't have eminent domain powers, which is good, but we do have a lot of very positive traits that enable us to transact real estate activities quickly and efficiently, one of the most powerful being that we have an annual budget of $7 million that comes in from a portion of the penalties and interest generated from delinquent property taxes.

In December 2010 this enabled us to go to the bond market and generate about $9 million from the sale of tax exempt bonds. While most of 2009 was spent getting setup hiring staff, establishing policies, procedures, protocols through the county government and our 59 municipal government and doing NSP 2 planning program design by 2010 we were up and operating at a very fast pace, which has continued to grow by leaps and bounds every month.

This slide shows our major source of acquisitions. The vast majority of our acquisitions are low value properties needing demolition that we acquire through very important bulk purchase agreements that we have with both HUD and Fannie Mae and we also get a large number of properties through tax foreclosure. Currently, we're getting about 20 to 30 properties each monthly from each of these sources.

These low-value acquisitions coupled with extensive demolition activity, stepped up code enforcement work by our municipalities, a very aggressive housing court judge in the city of Cleveland, and some major prosecutions of flippers by our county prosecutor have put a major dent in widespread real estate flipping that was going on before our creation. This slide shows some of our activities to date and these are changing daily, of course.

Acquisitions, 1,650, 200 pending transfers, again, mostly from HUD and Fannie Mae. We've demolished 825 properties. The vast majority of our demolitions are properties we own, but we have also undertaken 115 nuisance abatements. Those are condemned, blighted structures that our municipalities ask us to intervene in. Vacant lots transferred, 530. The vast majority of these are transferred to the city of Cleveland. The city of Cleveland had a land bank since the late '70s and like many municipal land banks only takes vacant lots, it does not take structures. So our memorandum of understanding with the city states that after we demolish properties in the city we transfer the vacant lots to them.

Two hundred and seventy five rehab candidates, some of these are NSP 2. We'll talk about that in a minute. Others are done under a few different rehab programs that we've developed. We do some in-house rehabs with our corporate money, but we also have rehab programs where we work with both nonprofits and for-profits setting certain standards and safeguards to ensure that the properties simply aren't flipped.

I should point out that a lot of the 550 properties shown up as other current inventory are also in some stage of the demo process. Here's a quick overview of our NSP 2 funding. The land bank is the lead member of the consortium, which also includes the city of Cleveland, Cuyahoga County and the metropolitan housing authority. We received approximately $41 million and this slide shows the budget and the responsible parties for each of the programs.

The funds for the first program, we call it investor loan, they're primarily used for your traditional acquisition, rehab and resell through third party developers. Both the city of Cleveland in Cleveland and the county in the suburbs use these funds to continue and expand upon their NSP 1 funded investor loan programs.

One new twist with the NSP 2, including the $1 million you see under the CCLRC in the investor loan was to fund some multifamily projects. Moving down our list of programs we have demolition deconstruction activities undertaken primarily by the city of Cleveland within Cleveland and by us in the suburban communities. All of the city of Cleveland's demolitions are nuisance abatements while, as I mentioned earlier, most of ours are foreclosed, blighted properties that we own.

Moving down the list we have a small amount of funding under our land banking line items to be termed acquisition mothballing. The city has a vacant lot reuse side yard program called land reutilization. And finally, the metropolitan housing authority and the city fund projects under the 25 percent set-aside.

Before I turn things over to our IT director Michael Schramm, let me mention just a few quick examples of how the consortium members work together. And I like to kind of call these examples our best practices. Our housing market, not just in Cleveland, but in our inner ring suburbs. The market is still real tough here. Under both Cleveland's and the county's NSP 1 rehab programs it was very difficult to get developers involved. Finding suitable properties, the very depressed market, of course, dealing with various compliance issues were all major obstacles.

With our creation we own a good amount of properties in NSP 2 target areas that we've acquired through our low value acquisition programs. We make developers aware of these in our eligible target areas through a website database. We also donate these properties to the NSP 2 developers and we do all the compliance. Needless to say, both our nonprofit and for profit developer partners really love us for this.

We've been able to stick about 50 properties into the city and the county's investor loan program and we've also been able to donate a number of properties to an NSP 2 funded 25 percent set-aside scattered site low income tax credit program. A second example is that we've been able to acquire and demolish units that were then transferred to the metropolitan housing authority for some of their 25 percent set-aside projects.

And finally, as I mentioned earlier, with the city of Cleveland the land bank acquires and demolishes blighted properties, transfers them as vacant lots to the city and the city plugs them into their NSP 2 funded vacant lot reuse program. With that, I'm going to turn things over to our IT director. We cannot emphasize enough the importance of a good database system for an organization of our size working with various funding sources and various partners. Mike.

Mike Schramm: We really use three types of information systems here at the Cuyahoga Land Bank. The first would be the analytical type systems. Many of you may have heard of our NEO CANDO system here in Cleveland developed by Case Western Reserve University. We have a lot of input as to how it gets developed, the different sources. And this is really the merger of many administrative data sources, like foreclosures, sheriff, auditor, treasurer, land bank, etc., city demolition.

We also maintain a finance and accounting system that has the ability to mark every single transaction involving a property with the actual parcel identifier and associated with a fund for a fund accounting system. So basically, at a moment in time we can basically tell you which properties have had NSP 2 charges and what are those charges, whether they be for field servicing, demolition, asbestos surveys and abatement, etc.

And then we maintain a property and project management database called our property profile system, which is really all of the different statuses for our particular properties. Our contractor is engaged with the system to allow them to upload photos. We have the ability to create reports such as, what are the properties in our inventory that fall within NSP 2 areas. There is the ability to automatically create documents, because we need things like demo specs, inspection forms, things like that.

All the information gets entered into a database and at the push of a button we can basically produce all of the relevant forms necessary for compliance and other purposes. One of the things that we have done through our property profile system is that it allows basically as the statuses change internally they change externally on our website as well as, as Bill said, allow the developers to get a sneak peak at what's coming into our inventory in the NSP 2 target areas.

And the other thing we have done in our property profile system is tie in the NEO CANDO data directly as well as the financial edge data. So you basically have one place that our staff can go to to basically find out all they need to find out about particular properties, either entering in our inventory or leaving our inventory. And that's all we have from Cleveland. We'll be looking forward to your questions if you have some for us.

Kent Buhl: Terrific. Thank you, Bill and Mike. And there are no questions yet, but people may think of those. And let's go now back to Michael Freeman and he'll do a conclusion and then we'll have a longer Q&A session.

Michael Freeman: You know, during this webinar I think we've talked about a lot of pertinent issues, process related issues. You know, I think that what Cuyahoga is doing is just outstanding with property maintenance and their acquisition planning as well as just how they're tracking their portfolio, because that's the thing that I think scares me the most is that longer term, how are we going to make sure that each unit, which was impacted by NSP funding will actually reach its eligible end use and everybody will happily be able to close out their files, because they've got 100 percent compliance with HUD.

I think this all goes back to, for me, strategic thinking and acquisitions. And asking yourself some very core questions when you're convening people to figure out what properties are being targeted for your land banking program.

And so I think that this is a ready-made list that you can actually use as your conversation around what you're acquiring and I think that you want to look at, does the property have strategic importance? Who at the table is making that determination? Is this one person within local government, is it one person within your land bank or your nonprofit who decides what is being acquired or is this convened thinking around what is the best acquisition target? Is this ultimately part of a plan development?

And hopefully, if it's part of NSP program it actually is part of a plan development area. Are you strategically banking properties or are you just parking properties to hold onto it, you're not quite sure what's going to happen? Or do you actually have a plan of action for that individual property?

Have you established what the best and highest use of that property is going to be? And furthermore, how complicated or speculative is that future use? Best in highest use, community expectation, they may want something that by the time you reach redevelopment of that property it may not be feasible. And so do you have alternatives listed within what your consideration is for best and highest use?

And then the most important thing is, how are you going to maintain the property past that grant period? How do you keep the property from becoming a detriment, becoming -- you may have demolished the blighted house, which was on that lot and cleaned it up for the grant period, but if it falls back into without any management, if it is now a place where people are dumping you're actually going to see conditions and surrounding properties worsen.

And so essentially, your planning has to be with that maintenance strategy. Back to the questions from before, this is where you may be able to engage your community groups in this longer term thinking and planning for that maintenance, assuming that you will have no money.

And you may have additional costs that come out of your own pocket that you may not be able to reimburse later on. Your best course of action is that support from the community who is benefiting from your blight elimination program. Implications of long term land banking, like Cuyahoga said, it's critical to be able to maintain all of your files and records on each property.

Every property that have benefited from the NSP program needs to be tracked. And assume that over the time period, even if it's three or four years, there can be transition within the organization. And so you have to have a good system of tracking every single expense so that you know. And then in the future they will know so they can maintain compliance with the program.

And I think most importantly, that you maintain this plan B or plan C and that you ensure that at some point you will be able to close out that grant within the required period, hopefully well before that 10-year period takes place. Making sure that you've got your compliance strategies as well to if you're using program income, that your plan B or plan C will include the low income set-aside requirements and any other requirements that are associated with the funding sources that come in, that you're able to meet that.

So I think that those are just my ending words of wisdom, that when you're planning your NSP program for land banking, that you actually have a firm strategy in place from the day one. And those land banks that I've seen, which have just maybe haphazardly decided that we don't know what we're going to do with it now, we're just going to put it into our portfolio as a land bank property, those are the ones that end up having the most problems longer term. So I don't know if anyone else has any words of advice or thoughts that they would want to share as a conclusion as well I think this would be a good time to add that.

Kent Buhl: Any of our other presenters?

Matthew Do: No. I think you did a good job, Michael. Thanks.

Michael Freeman: Oh, thank you. Okay. I think we can go ahead and move onto any final questions or comments from the participants.

Kent Buhl: Terrific. Let's do that. And just a reminder of how to ask questions, you can submit a written question, you can raise your hand, all those methods work. And let's go to Margo [ph] who has been waiting patiently. Hi, Margo. Where are you calling from?

Q: Hello. This is not Marga, her voice is not this heavy. I'm Lewis Starts [ph] with the Detroit Land Bank Authority. I'm here with members of Cloudburst and Margo's with the planning and development department and Brian Watkins [ph] is here as well as Andre Wallers [ph]. We need some guidance on disposition. The land bank has inventory in NSP 1 that is ready to be sold as-is. So we need some guidance on what, if any, restrictions apply, be they change of use restrictions or other restrictions. Secondly, as it relates to the definition of disposition, is some level of rehab permitted? If not, why not? If so, what is that level? I'll just start with those two questions and more may follow.

Kent Buhl: Who would like to take those? John, perhaps?

John Laswick: Yeah. Let me start with the rehab. So as I was mentioning earlier, you can do rehabilitation, you just can't do it under eligible use C. So if you bought a house and it's been land banked for a while you can treat it as long as it meets the requirements for your redevelopment or eligible use B in terms of the type of property it was. Then those properties can be renovated and sold out of the land bank and that's certainly what we hope will happen in a lot of cases.

You know, sometimes we say, you can't do it under C or you can only do demolition under D, but that doesn't mean that you can't do it under NSP. It just means you can't do it under that legislative description of the activity. As far as selling property as-is, I'm not quite sure what that means.

You know, you have to meet a national objective if you own the property and the land bank. And so you need to be selling it for something. So if it's just to kind of [inaudible] then I think you probably have some more planning to do there or something, because I don't think that's enough to sell it out of the land bank to get rid of it.

Q: I didn't really understand the last part of your response about we have more to do --

John Laswick: Well, I guess I didn't understand the question. What's the use of that land? The condition of it is as-is, but what's it for?

Q: We talked about -- I think I said single family inventory that we purchased under use C that we have to dispose of. We believe and we actually have an FAQ from HUD dated July 26, 2010 that would suggest that under use C we can do rehab. So it's a little confusing. How do you define disposition?

John Laswick: Well, what we've included under disposition under the CDBG regulations is that maintenance and static condition type of thing. What I've said that you can do, you can't do it on --

Q: What is mothballing?

John Laswick: That would be disposition also. It's a --

Q: That's a little higher level than maintenance and preservation; correct?

John Laswick: Well, I'm sure you've got a better understanding of it than I do. You know, I don't know where you draw that line, but if it's something that's not adding to the value --

Q: From the preservation brief, 31 is where I draw the line.

John Laswick: Well, I'm saying you can do rehabilitation, I'm just saying it's not part of eligible use C. It's part of eligible use B or part of eligible use E. It's hard to believe you have any properties that wouldn't qualify under one of those categories. But if you look at the notices on this eligible use C is land banking only. So it's acquisition and disposition as defined in the

CDBG rules, it's not rehabilitation. But you can do rehabilitation under one of these other eligible uses. So I'm saying that you can do it. What I'm not sure about is when you talk about selling property as-is. I don't know what that means exactly. I mean, is somebody going to use it for something and how soon?

Q: Yeah. I mean, we have some properties that are in fair enough condition that they can be sold as-is. We were fortunate enough to acquire them before they had been trashed and they're in livable condition.

John Laswick: So there are structures on them and they meet codes?

Q: Well, that's the question that I think I posed in writing was, to what level are we talking? Some HQS level that we would have to meet before we sell them or can they be sold as-is or what criteria apply?

John Laswick: Well, you have to meet a national objective with these things and typically that's going to be housing. And if the property is not habitable according to local codes then it can't really be considered to be housing. So you can imagine a path to creating that housing that is habitable under local codes, but if there's something that needs to happen in between then you have to find some way to provide for that. You can't just sell it off and hope that it happens.

Michael Freeman: This is Michael Freeman too. I guess, as far as what you attribute the cost to, let's say if there is just slight modifications to help that property or that house meet the local code, why not just bill the eligible cost of the land banking activities under C and then just bill any cost if it requires a new roof, a new heating system? Why isn't that just billed to the redevelopment of that property? I mean, why would you want or need to bill everything under land banking?

Q: Because I want to avoid having to restructure a subrecipient agreement and I want to take advantage of the breadth and scope of the definition of disposition. I want to save time. I don't want to go through the hassles of trying to get city council to get onboard in a timely manner.

John Laswick: Well, I'm not sure. This is John. You know, we don't have sort of strict requirements on when things have to go to city council, I'm sure you do. So I'm not sure we can avoid that. You know, shifting activities around in effect budget changes aren't necessarily amendments.

Now, if you have to amend a subrecipient agreement I don't know if that's got to go to your city council, but you can't define rehab into disposition is what it boils down to. So if your agreement says, you will do land banking and that's all you will do and now you want them to do rehab then you need to change the agreement. And I don't see an easy way around that. I mean, from our standpoint you could just change it, but from your standpoint maybe that has to go to the city council.

Q: John, there was a follow-up. Andre?

Q: John, here's the question we sent in. You said the land bank received a grant for land banking activities under eligible activity C. And can the land bank NSP funds be used to finance rehabilitation of properties to provide development subsidies to dispose the properties required with NSP funds?

Now, you all said that the grant funds that were designation under eligible use C can be used only for purchasing and maintaining or disposing of foreclosed upon homes. Vacant properties, abandoned properties or nonresidential properties, financing, rehabilitation or development subsidies cannot be done under eligible use C. If the land bank funds are being used to rehabilitate and provide development subsidies to dispose of the land bank properties it would constitute financing for maintaining and disposing of the property.

However, the grant for land banking activities cannot be used to cover rehabilitation and provisions of development subsidies for non-land bank properties without an amendment to the NSP 2. This should be easy for the grantee to negotiate with if you have a perspective for the renovated housing. So I'm trying to get some clarity on what your response actually was.

John Laswick: Well, I didn't hear every word of -- I mean, it sounded like we were saying that you couldn't do rehabilitation under land banking. Maybe sometimes we're not as clear as we ought to be about how you do these things. You know, if you have rehab approved under B or E we've been very flexible in sort of shifting those around, but you still can't do rehab under C. So if that's what you think we said then we're wrong.

Q: Okay. Because that's what you said. You said, if the land bank funds are being used to rehabilitate and provide development subsidies to dispose of the land bank properties it would constitute financing for, "maintaining and disposing of the property." That's what you said.

John Laswick: Well, I think that what we understood that you were asking in that case was whether you could do some board up or some kind of minor type of rehabilitation, not rehabilitation sufficient to make an inhabitable home habitable again. But is this NSP 1 funds that you're talking about?

Q: Yes.

John Laswick: Okay. So I think maybe Cloudburst folks can help you work through what sort of local process you have to go through. I don't think, from our standpoint, it would be particularly complicated. I don't know what all your list of activities was in NSP 1. Do you have rehab? Do you have eligible use B? Do you have eligible use E? Do you have anything in those line items?

Q: [inaudible]. Yes.

John Laswick: You do? I can't really hear that.

Kent Buhl: Yeah. It's hard to hear. I would suggest that -- we've gone a little over time and that there may be some details here to work out that are specific to what's going on in Detroit and that you have this conversation offline if that's okay. But we do appreciate the question and hope you can get to a reasonable conclusion with that one soon.

And let me just tell you a couple things that are available on the NSP Resource Exchange, lots and lots of information there. The resource library, FAQs, training materials, including the archives of previous webinars, recordings and lots and lots of activities going on on the resource exchange. So check that out when you get the chance. And you probably are pretty familiar with it already.

Michael Freeman: Ken, if I could just -- I did pass my slide, unfortunately on a great resource for everyone for land banking. You can see slide 44, this is a complete and comprehensive resource package that provides information on acquisition and disposition, process maps, legal forms, financing techniques, policies and procedures, boarding and maintenance specifications and RFPs. It's a great resource and I know a lot of people have been using it, but I definitely think that that would be one that would be helpful for you in moving forward with your land banking program.

So I just wanted to make sure everyone saw the HUD website and the hyperlink is there. And I invite you to use it.

Kent Buhl: Very good. And we do have a question here from Lana [ph]. And do you have a moment, folks on the panel we can go a little bit longer?

John Laswick: Sure.

Michael Freeman: Yeah.

Kent Buhl: Lana asks, "On a foreclosed property that has not sold, would a project sponsor need to move a property into a land bank or could it still sit under use B? As an interim use the property is being used by the CHOTO rather than leaving the property vacant."

John Laswick: Well, from HUD's standpoint you could do that if you have a use. I mean, I would still consider that to be land banked and you have the property rented as an interim use. Normally, for properties that are acquired under B or vacant properties that are acquired under eligible use E we're looking for those to be developed or redeveloped within a couple of years.

You know, there are in fact, I think going to be quite a few properties that don't move far enough in that direction fast enough. And unfortunately, they're not all going to be foreclosed upon properties that qualify for land banks. So we are trying to come up with some guidance on how to deal with those, what I'm calling orphaned properties, the ones cannot eligibly join a land bank. But since yours was foreclosed, you're not really doing activity B by renting it out temporarily, you're doing activity C.

So I think that makes more sense as a land bank. You know, if you had acquired that property, though or if the CHOTO has it and plans to rent it for the long term or could rent it for the long term maybe you could just transfer ownership, at least for a certain number of years or something like that. But I don't think it's a problem as you describe it, but I think there are any number of properties out there that don't have an immediate future and don't qualify for a land bank either. Those are the ones we're kind of worried about now.

Kent Buhl: Thanks for sending that question in, Lana. Let me show you all what's coming up, three more webinars on the slate right now. And I don't know if Hunter's got more in his basket after that, but that's what's scheduled now. And again, the final one in this four-part series is a week from today in a peer-to-peer exchange on best practices of disposition.

And when you leave today you will be taken automatically to a survey form. We appreciate any comments you have for us. Written comments are especially useful, but if you'd take a couple minutes to answer that we'd appreciate it. I see no more questions and we are over time.

So I'd like to thank all our panelists and a whole slew of them that you see here today. I won't go through them all individually, but thank you very much for your time today on this webinar and helping to clarify what goes on with land banks. And thank you very much and thank you all for being with us today. We look forward to seeing you soon in another NSP webinar. Take care, everyone.

Matthew Do: Thanks, Kent.

John Laswick: Thank you.