



# Land Banks and Community Land Trusts in Houston

A Primer for the Houston Land Bank

# Land Banks and Community Land Trusts: A Primer for the Houston Land Bank

May 2018

*“In the midst of every crisis, lies great opportunity.” – Albert Einstein*

## Introduction

Under the leadership of Mayor Turner, the City of Houston is recovering, reimagining, and rebuilding in the wake of Hurricane Harvey. As disaster recovery efforts continue, there is a steadfast desire to make Houston a stronger, more resilient city in which no neighborhood is left behind. Historic and unprecedented efforts are being made to reform building and zoning guidelines of floodplains to reduce flood damage in the future. Just as the focus was on New Orleans following the devastation wrought by Hurricane Katrina, the entire nation is now looking to Houston with hope and optimism as a model of resiliency. City leaders are meeting the challenge with a clear commitment to invest both in neighborhoods that have been devastated by the hurricane, as well as those neighborhoods that have been compromised by decades of disinvestment and lack of opportunity.

The very nature of rebuilding demands an understanding of the past, respect for the present, and hope for the future. It is the art and science of preserving historical and culturally rich neighborhoods, addressing immediate needs in the wake of disaster, and reimagining places in which all current and future residents have access to quality affordable housing choices, safe neighborhoods, and quality amenities. It is about removing harmful structures, wrecked from the storm or neglected from disinvestment, with an eye toward ensuring every child in Houston can walk to school inspired—not threatened—by their surroundings. These assurances are at the core of Mayor Turner’s *Complete Communities* initiative, and with additional resources that can be brought to the table by local stakeholders such as the Houston Land Bank, more neighborhoods could transform vacant, abandoned, and damaged properties into housing opportunities, and ensure there is a sufficient inventory of quality and affordable housing for generations to come.

## Overview of Land Banks and CLTs

Over the past 40 years, the majority of land banks have been created across the country as public entities, usually public nonprofit corporations or governmental entities, that are solely focused on converting problem properties into productive use.<sup>1</sup> There are over 170 land banks in operation across the country, many of which were developed in the last 10 years as a direct response to the Great Recession and the resulting increase in vacancy and abandonment. Land banks are one of several tools in a larger system that impacts the life cycle of vacancy and abandonment in any given community. Most land banks focus on a subset of vacant problem properties that are causing the most harm to a community by creating public safety hazards, driving down property values, and draining local tax dollars. The targeted inventory of land banks are those properties the private market has altogether rejected given various legal and financial barriers.

Many of the most effective land banks around the country have special powers granted by state-enabling legislation that allow them to undertake their work more effectively, efficiently, and equitably than other governmental or nonprofit entities. State-enabling legislation can allow a land bank to use the tax and lien enforcement process to acquire tax delinquent property for substantially less than the amounts due on the property, extinguish past liens, and hold property in a tax-exempt status until it is sold. These laws allow land banks to market and convey properties more flexibly than local governments, prioritizing best outcome over highest offer. State-enabling legislation also identifies sources of dedicated funding to help pay for land bank operations.

Land banks and CLTs serve different yet complimentary roles in supporting equitable neighborhood development.<sup>2</sup> The Houston Land Bank operates as a public entity, a local government corporation, that focuses its efforts on acquiring and assembling tax-delinquent properties for

### Six Essential Elements of Effective Land Banks

- Strategic links to the property tax collection and foreclosure process
- Operations scaled in response to local land use goals
- Policy-driven, transparent, and publicly accountable transactions
- Engagement with residents and other community stakeholders
- Alignment with other local and regional blight strategies
- Recurring, reliable source of funding

<sup>1</sup> For more information on the history of land banks and land banking, please review the Community Progress publication of *Land Banks and Land Banking* written by Frank Alexander:  
[http://action.communityprogress.net/p/salsa/web/common/public/signup?signup\\_page\\_KEY=8679](http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=8679).

<sup>2</sup> For more information on land banks and CLTs, please review the Shelterforce blog entitled *Land Banks and CLTs: Not Synonyms or Antonyms. Complements* written by Emily Thaden, Kim Graziani, and Annie Stup:  
<https://shelterforce.org/2016/11/09/land-banks-community-land-trusts-not-synonyms-or-antonyms-complements/>.

redevelopment. The emerging Houston CLT will be a private nonprofit that holds land in trust to provide affordable housing and other community assets in perpetuity. Regardless of the market shifts, homes in a CLT are forever a stock of affordable housing, while properties sold by the Houston Land Bank may stay affordable for a limited time.

While both land banks and CLTs acquire and hold land, they do so for varying periods of time and for different purposes, acting at different times in the development process. Most land banks, including the Houston Land Bank, exercise available special powers to efficiently and cost-effectively acquire tax-foreclosed properties. Using these special powers, land banks can streamline blight removal and create a nimble, accountable, and community-driven approach to returning problem properties to productive use. Disposition decisions, therefore, are locally determined, and driven by strong input from community stakeholders, including those residents most impacted by vacancy and abandonment. Priority end uses can range from affordable housing and first-time homeownership opportunities to community gardens and green storm water infrastructure. CLTs, on the other hand, acquire properties with the intention to retain and steward the assets in perpetuity, with a primary goal of ensuring permanent affordable housing choices through the use of shared equity homeownership models or other enforcement tools.

One common misconception is that land banks and CLTs operate exclusively at opposite ends of the housing market spectrum: land banks in weak markets where demand has dried up, and CLTs in strong markets where escalating property values threaten affordability. However, just like Houston, many cities are home to “dual markets,” with neighborhoods that are characterized by both disinvestment and revitalization, often separated merely by blocks. Dual markets can be seen in areas such as Houston’s Third Ward which has pockets of dilapidated homes, yet rapid development is leading to increased rents and property values.

Dual markets present an opportunity for land banks and CLTs to operate within the same service area, and often together. While a land bank may focus primarily on driving investment in disinvested neighborhoods, it could also ensure that vacant, abandoned, or tax-delinquent properties acquired in strong market neighborhoods are directed towards end uses that meet critical community needs, such as affordable housing. Similarly, in weak markets where there remains promise of unlocked potential, particularly where large-scale public and private investments are being proposed, CLTs could be involved to support permanent affordable housing choices before the market heats up, preventing the all too familiar pattern of displacement, socioeconomic segregation, and unequal access to quality amenities. Finally, for those cities whose neighborhood markets are temporarily damaged by disaster but can reasonably expect investment activity to return and property values to rise, an active partnership between a land bank and a CLT could be key to ensuring the recovery yields equitable development and inclusive neighborhoods.

As local discussions continue about the role of the Houston CLT, and as the Houston Land Bank continues to think through how to adapt to changing markets with limited special powers, it is important for local stakeholders to consider the general challenges and opportunities each entity brings to the table. Many land banks are challenged with finding responsible transferees that have capacity and commitment to returning properties to productive use in a manner consistent with local priorities and goals. CLTs generally have difficulty acquiring properties, particularly in strong housing markets. Recently, more communities are recognizing the value of a strategic partnership between these two entities, and that one is a solution to the other's challenge. There is an opportunity for the Houston Land Bank to serve *in part* as the acquisition pipeline for the Houston CLT, particularly as potential legal and policy changes are explored to create a more cost-effective and efficient process of accessing properties through the property tax foreclosure process. Moreover, Houston has the *unique* opportunity to deploy this partnership as part of a comprehensive approach to disaster recovery with a focus on resiliency, equity and inclusion—serving as a pioneer and innovator for the national field of practice to learn from and emulate.

As City leadership contemplates how the Houston CLT will complement the work of the Houston Land Bank and support Mayor Turner's vision and goals for a strong and resilient city with *Complete Communities*, the below information provides an example of a land bank and CLT partnership in Albany, New York, as well as key considerations for discussions moving forward.

### **Snapshot: Albany County Land Bank and Albany Community Land Trust in New York**

Community Progress and Grounded Solutions Network partnered together in 2017 to provide technical assistance to the Albany County Land Bank (ACLB) and Albany Community Land Trust (ACLT) in piloting new partnership opportunities between the two entities.<sup>3</sup> A number of local factors made this a compelling project: (1) there was strong leadership in City and County government in support of ACLB interventions; (2) ACLB is a high capacity land bank, with a Board committed to equity; and (3) ACLT had helped build consensus across sectors, including City government, on the need for more quality affordable housing to realize a shared goal by all for an *Inclusive Albany*.

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<sup>3</sup> For more information on this project, please review the Center for Community Progress report entitled *Piloting New Partnership Opportunities Between a Land Bank and a Community Land Trust in Albany*: [http://www.communityprogress.net/filebin/TASP\\_Albany\\_Final\\_Report.pdf](http://www.communityprogress.net/filebin/TASP_Albany_Final_Report.pdf).

While there was a strong consensus on the need for affordable housing in Albany, just as there is in Houston, the goal of *permanent* affordable housing was not initially shared by *all* Albany stakeholders. Some anti-poverty advocates argued permanent affordable housing denied families the chance to build wealth. Some City officials pointed to excessive vacant properties as an indication that Albany was not in danger of “pricing out” residents any time soon. However, after a series of thoughtfully planned and well attended stakeholder meetings, local partners in Albany determined that any effort to intentionally drive investments into distressed neighborhoods should also aim to preserve some amount of permanent housing affordability from the onset of planned investments. Intentional preservation of permanently affordable housing stock early in public or public/private neighborhood investments may:

	Albany Community Land Trust	Albany County Land Bank
<b>YEAR FOUNDED</b>	1987	2014
<b>CURRENT INVENTORY</b>	35 owner occupied homes 47 rental units in 32 buildings 6 homes under development	80 buildings for sale 174 Lots for sale 86 contiguous properties assembled as “development clusters” 67 banked for further evaluation 75 pending sales
<b># STAFF</b>	2 part time	7 full time, 1 part time
<b>2017 ANNUAL BUDGET (EST)</b>	\$427,000	\$2,475,000

Snapshot of the Albany County Land Bank and the Albany Community Land Trust (October 2017).

1. **Prevent Displacement.** Neighborhood investments are made for many number of reasons that benefit the common good, but one of the primary desired outcomes is an increase in property values. Whenever using public investments to revitalize communities, public policy should be concerned with the potential displacement of low-income families even if that possibility is decades in the future. The CLT model can be an insurance policy against future displacement and exclusion.
2. **Close the Affordability Gap Early, when it’s Minimal.** While Albany is not a strong market, there are neighborhoods where property values are rising, with homes in those neighborhoods already out of the reach for low-income households. Because property values typically rise faster than incomes, it is better to solve the affordability gap once, at the lowest cost, and create a stock of permanently affordable homes that will serve the community for generations.
3. **Strike Balance between Individual Wealth Creation and Multi-Generational Community Benefit.** The CLT model is designed to strike a balance between wealth creation for existing homeowners and ongoing affordability for future homebuyers. According to data compiled by Grounded Solutions Network, CLT homeowners that sell their home can still earn a profit, but smaller than what they would have earned on the open market. However, CLT homeowners do

build transformational wealth *compared to the opportunities available to them as renters* (their most viable alternative to CLT homeownership). And, perhaps more importantly, CLT homeowners have greater access to quality housing, security of tenure, and control over their home environment when compared to renters.

With a deeper appreciation for how scattered, permanent affordable housing would be key to achieving an inclusive community, ACLB and ACLT explored and successfully launched the **Inclusive Neighborhoods Program**. For background, Albany County transfers virtually every tax-foreclosed property to ACLB, and about 90% of the tax-foreclosed properties in the City of Albany are located within its five most disinvested neighborhoods, which correspond with ACLB's Target Areas. Now, thanks to the **Inclusive Neighborhood Program**, any tax-foreclosed property acquired by ACLB that is located outside the target area (in stronger neighborhoods with more stable housing markets), ACLT will have first right of refusal for 45 days and can purchase the property at a discounted rate. The ACLB Board approved this Program in September 2017 and amended their disposition policy accordingly. While the actual number of homes added each year may be minimal, over a 20 or 30-year period, this program could make significant contributions in seeding permanently affordable housing choices throughout Albany, consistent with the community's and political leadership's long-term goal of building an *Inclusive Albany*.

## Key Considerations Moving Forward

Across the country there are few examples of land banks and CLTs coordinating *effectively and in a sustained manner*, which provides the City of Houston a prime opportunity to become a model of how a land bank and CLT can partner to support disaster recovery *and* neighborhood stabilization and revitalization efforts. Of those communities that have developed partnerships, the land bank and CLT have remained as two separate legal entities with distinct yet complimentary missions and objectives.

Below are a few considerations that have been identified by land bank and CLT leaders across the country as vital to creating and maintaining a partnership between both entities. As the Houston CLT emerges, these considerations may help ensure a cooperative partnership with the Houston Land Bank as both entities work to ensure more communities have access to safe and affordable housing, quality amenities, and economic opportunities.<sup>4</sup>

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<sup>4</sup> These considerations are based on 2016 interviews with several land banks and CLTs from across the country by the Center for Community Progress, Grounded Solutions Network, and Annie Stup, who was a graduate student at the time at the New School.

1. **Understand Both Tools and Engage a Broader Audience.** Many land banks and CLTs across the country do not communicate with each other, nor do they understand the mission and goals of the other entity. There may be land bank staff that doubt the utility of CLTs in weak markets. Meanwhile, CLT staff may become frustrated with land banks minimizing the need for permanent affordability because a weak market might have a surplus of low-cost housing. Explicit discussions and trainings describing the relevant applications and limitations of both tools would benefit practitioners to shape and support collaborations. In addition, *and equally important*, is engaging residents and community stakeholders (particularly in disinvested neighborhoods) in understanding the differences between and opportunities offered by both entities.
2. **Acknowledge Different Objectives and Focus on Overlapping Priorities.** Land banks have been understandably focused on addressing large inventories of vacant, abandoned, and tax-delinquent properties, which usually relegates land banks to weaker housing markets and disinvested neighborhoods. CLTs, with a primary focus on preserving affordability, are typically found in moderate or strong housing markets. But as mentioned above, while the primary objectives may differ, there is clear overlap of priorities and opportunities to advance mutual goals. For example, land banks and CLTs should consistently review and analyze tax-delinquent properties that are scheduled for a public auction, and determine which of these properties may be of strategic relevance to a CLT. As in the case of Albany, land banks can modify their disposition policies and prioritize the transfer of properties to a CLT for a discounted price through a negotiated sale. Acknowledging each entity's objectives and priorities and proactively identifying opportunities can result in shared wins.
3. **Tend to the Constraints of Both Parties.** Undoubtedly, land banks and CLTs both tend to lack adequate capacity or resources. Due to resource limitations, land banks may have to work more with for-profit or nonprofit developers rather than hold properties for use by a CLT. Meanwhile, CLTs may be limited in their ability to cobble together in a timely manner the resources for acquisition, rehabilitation, and financing of land banked properties in order to convert them to quality, affordable properties for community use. If land banks and CLTs collaborate, they have the potential to more efficiently leverage the existing resources and strengths of each—and attract new funding—to overcome these barriers.



## Conclusion

The leadership of the City of Houston should be commended on their willingness to act boldly and use this opportunity to invest in neighborhoods that have been devastated by the hurricane, as well as those neighborhoods that have been compromised by decades of disinvestment and lack of opportunity. The Houston Land Bank is in a prime position to support these recovery efforts, and as the Houston CLT emerges, serve *in part* as a pipeline of properties for permanent affordable housing and other community amenities. It will take this type of leadership and the utilization of every available tool and resource for Houston to be a model of inclusive and equitable rebuilding and recovery.

Community Progress is honored to offer these observations on land banks and CLTs based on our experience of working across the country, and in partnership with Grounded Solutions Network. The information offered is based on our national and “outsider” experience, and is meant to inspire consideration and robust discussion as local leadership launches the Houston CLT and considers how this new tool can work in partnership with the Houston Land Bank, and complement existing resources and tools to build a stronger and more resilient city.

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