

# Land Banks and Community Land Trusts

Across the country, communities are still struggling with inventories of properties that are causing harm – properties that are vacant, abandoned, or tax delinquent. Many of these properties are underwater in value – meaning the amount of delinquent taxes, liens, and property repairs are more than what the property is worth.

These same communities also need quality affordable housing. Rehabbing existing structures or building new units to create affordable housing is an arduous task, and taking on the added time, capacity, and cost required to acquire and get clear title to these problem properties can make affordable housing development impractical.

Land banks and community land trusts (CLT) are two entities that, in concert, can unlock a pipeline of problem properties to provide quality affordable housing for current and future generations.

Through special powers granted by state-enabling legislation, land banks can more flexibly and efficiently get control of and transition problem properties than other governmental or nonprofit entities. A land bank can use the property tax and lien enforcement process to proactively acquire a property for substantially less than the amounts due on the property, extinguish past liens, hold property tax-exempt until it is sold, and transition that property to a purchaser for an end use that aligns with community priorities.

**Land banks** are public entities with unique governmental powers, created pursuant to state-enabling legislation, that are solely focused on converting problem properties into productive use according to local community goals.<sup>1</sup>

**Community land trusts** are nonprofit organizations, governed by CLT residents and nonprofit and public representatives, that provide permanent community control of land and affordable housing.<sup>2</sup>

## How are land banks and CLTs different yet complimentary?

	LAND BANKS	COMMUNITY LAND TRUSTS
<b>What they do</b>	Stabilize and revitalize problem properties, guided by local community goals	Primarily, but not exclusively, supports local community goal of lasting affordability
<b>How they are structured</b>	As a public entity with limited governmental powers	As a private nonprofit
<b>Who governs them</b>	Board defined by statute or local ordinance, usually a mix of elected and public officials, professionals with relevant subject matter expertise, and community representatives	Tripartite board including CLT residents, community residents, and nonprofit and public representatives
<b>How they get properties</b>	Through special acquisition powers via state-enabling legislation (generally through tax or lien foreclosure, no eminent domain)	No special acquisition powers although nonprofit status may allow for some preferred access
<b>How long they own properties</b>	Generally short term, but able to hold long term	Perpetual ownership of the land
<b>How they sell properties</b>	Sell property in a diligent, yet expedited manner for flexible price to achieve community outcomes	Sell structure only to income qualified buyer while land ownership remains with CLT



Learn More about land banks at [communityprogress.org/land-banks](https://communityprogress.org/land-banks)

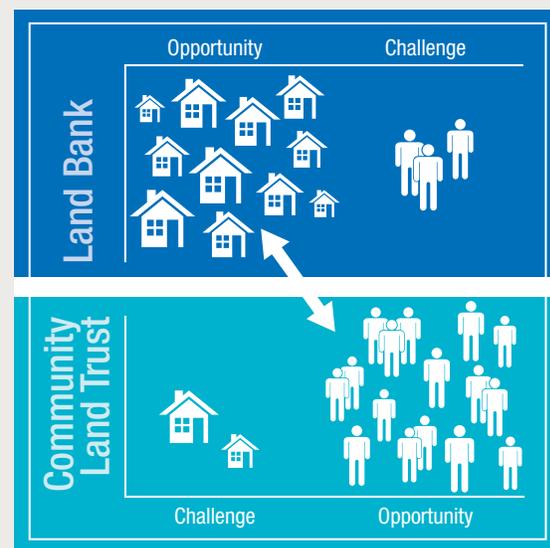
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This approach offers an important alternative to a traditional tax foreclosure sale, prioritizing best local outcome over highest offer. Many communities have identified long-term affordable housing as a priority, which creates an ideal opportunity for a land bank to sell property to a CLT.

Although many variations on the model exist, CLTs most often focus on providing permanent affordable housing. CLTs are different from other nonprofit affordable housing developers in a few ways, but most critically, a CLT separates the ownership of the land and structure. The CLT retains ownership of the land and enters into a 99-year renewable ground lease with the homeowner. The homeowner purchases the structure on the land at a subsidized price, pays the mortgage on the structure and is responsible for maintenance of the land and structure.

The CLT ground lease places limits on the future sales price of the property, while also providing an opportunity for owners to build wealth from the home sale, so that the home remains accessible to low- and moderate-income homebuyers at an affordable rate in perpetuity. Typically, the development, rehab, or purchase of CLT homes is subsidized through public or philanthropic funds, and this subsidy stays with the property forever, underwriting the purchase price again and again for generations of owners.

Critical for its success, CLTs offer many pre- and post-home-purchase services to their homebuyers, such as pre-purchase counseling, down-payment assistance, and foreclosure prevention to name a few.<sup>3</sup> Such long-term “stewardship” services fall under the category of “perpetual responsibility,” one of the key features of the classic CLT model.



**Land banks and CLTs address each other’s challenges by pairing a land bank’s ability to acquire and get clear title quickly and inexpensively with a CLT’s pipeline of qualified home purchasers.**

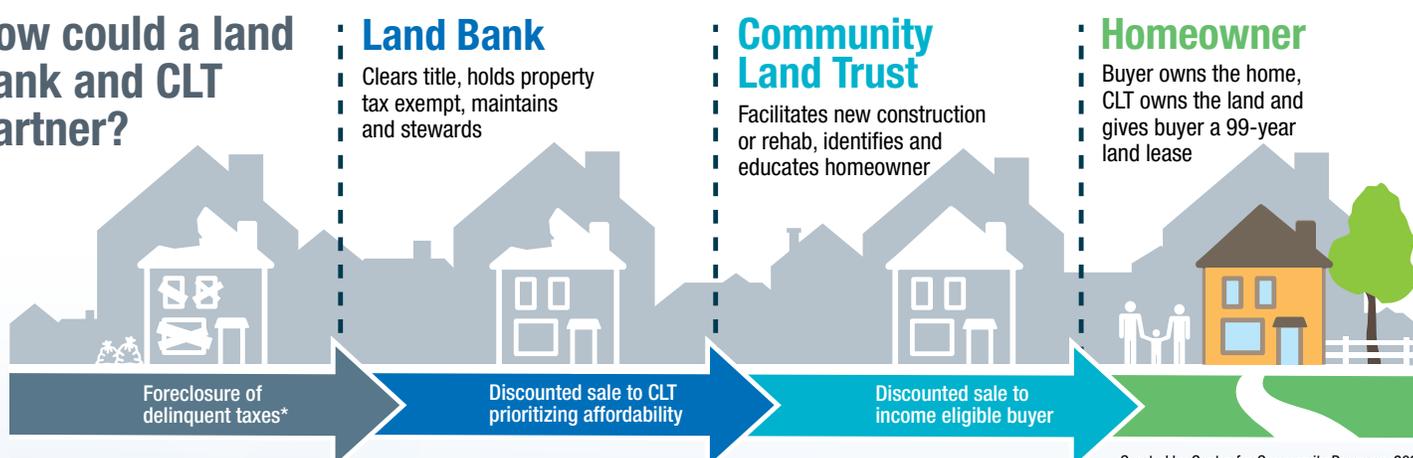
*This powerful partnership can foster lasting affordable housing and neighborhood stability. Some land banks and CLTs work together to proactively identify properties to support mutual goals. These partnerships are an emerging practice across the nation. Places like Albany, New York; Atlanta, Georgia; and Columbus, Ohio have already pioneered successful partnerships.*

<sup>1</sup> Land banks support a wide variety of local goals beyond affordable housing like commercial property and economic development, open space creation, environmental remediation, and neighborhood quality of life improvements. For more information about land banks, visit [communityprogress.org/land-banks](http://communityprogress.org/land-banks).

<sup>2</sup> Many community land trusts also support permanent community control through commercial projects, open space creation and protection, and agricultural work, however, the focus for many community land trusts is affordable housing. For more information about community land trusts, visit [groundedsolutions.org](http://groundedsolutions.org).

<sup>3</sup> Community land trust loans foreclose less frequently than traditional mortgages. CLT’s supportive services are an important factor in homeownership success. See Lincoln Institute of Land Policy. (2010, October). “Outperforming the Market Delinquency and Foreclosure Rates in Community Land Trusts.” Available at <https://www.lincolinst.edu/publications/articles/outperforming-market>.

## How could a land bank and CLT partner?



\* While property tax and lien enforcement processes are the most common method, dependent on state law, land banks may also acquire properties through a variety of mechanisms such as governmental transfer, donation, property swap, and private market purchase.

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