Land Banks

A Tool for Addressing Problem Properties to Serve Community Goals

A land bank is a public entity with unique governmental powers, created pursuant to state-enabling legislation, that is solely focused on converting problem properties into productive use according to local community goals.

Land banks across the country have been a vehicle for supporting broader community development by maintaining vacant structures that can be restored and demolishing those that cannot, assembling property for future reuse, turning tax-foreclosed properties into quality housing for all income levels, facilitating commercial and industrial property reuse, and working with the community to transform vacant land into parks, gardens, and other community spaces.

While the special powers granted to land banks differ from state to state, ideally land banks have the authority to:

- Acquire tax-foreclosed property cost-effectively
- Extinguish liens and clear title
- Hold property tax-exempt
- Generate and collect revenue from delinquent property tax fees, property tax recapture, or other funding mechanisms
- Flexibly sell property to a responsible buyer and/or developer, driven not by highest price but by the outcome that most closely aligns with community goals

What’s the difference between a land bank and a land banking program?

Land banks are created pursuant to state-enabling legislation which confers unique powers to these public entities, such as the ability to acquire tax-foreclosed properties cost-effectively, clear title, hold property tax-exempt, sell properties flexibly, and generate revenue.

Land banking programs may be operated by governmental or nonprofit entities and focus on acquiring, holding, and selling properties. However, since land banking programs are not created pursuant to state-enabling legislation, these programs do not have the special powers of a land bank, which may limit some of their utility.

There are over more than 250 land banks and land banking programs across the country – explore their locations here.

How does a land bank work?

Learn More about land banks at communityprogress.org/land-banks

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While all land banks exist to serve the same primary purpose of acquiring problem properties and returning them to productive use, they are quite diverse in their structure and operations. Land banks across the country vary greatly in terms of the types of cities, towns, and regions, and economic conditions in which they operate, the size of their inventories, their staff capacity, their legal authorities, and their goals and programs.

Despite this diversity, our experience has shown that successful land banks have the following:

- **Strategic links to the property tax collection and foreclosure process.** Many vacant and abandoned properties have property tax delinquency, which explains why nearly all land banks have established strategic links to the tax foreclosure process as a primary, cost-effective source of acquisition – aiming to direct these properties to new responsible owners.

- **Sufficient, predictable source of funding.** A land bank’s focus is on the inventory of problem properties the local market has basically rejected and therefore will always require some level of public support – whether cash or in-kind – that is proportional to the scope and scale of vacancy the land bank is expected to help resolve. With a sufficient, predictable source of funding, land banks can focus on the creative interventions and community partnerships that are required to equitably transform liabilities to productive use that advance community goals.

- **Engagement with residents and other community stakeholders.** Successful land banks have found creative and consistent ways to inform, engage, and build relationships with residents to help prioritize land bank interventions and develop long-term solutions.

- **Operations scaled in response to local land use goals.** Land banks should always make decisions based on a strong understanding of community priorities and goals, and guided by neighborhood, local, and regional revitalization plans.

- **Policy-driven, transparent, and publicly accountable transactions.** Land banks should build and maintain trust with the public through transparency of priorities, policies, and procedures that govern all actions. These should be established prior to any transactions and annually revisited with public input to maintain a high standard of transparency and accountability.

- **Alignment with other local or regional tools and community programs.** Successful land banks have helped facilitate and work within diverse collaborations across the public, private, and nonprofit sectors that share similar economic and community development goals.

**How are land banks funded?**

Access to sufficient, predictable funding is cited by land bank leaders as one of the greatest operational challenges—and yet these entities are still driving impressive impacts in communities across the country, read more here. Land banks are funded through a variety of sources, which may include revenue from the sale of properties, general fund appropriations from local and county governments, federal and state grants, and foundation grants.

Recognizing the critical role land banks play in community revitalization, some states have enabled land banks to receive a portion of fees collected through the property tax enforcement process or a portion of the new property taxes generated from properties sold by the land bank.

**Does my community need a land bank?**

Any community considering the creation of a land bank should assess several factors to determine if a land bank is needed or likely to be successful. Some common reasons for creating a land bank include:

- Large inventories of vacant property, often with little to no market value and/or significant delinquent taxes and liens
- Properties with title problems
- Inflexible public policies dictating the sale of public property, limiting the ability to be strategic and nimble
- Unpredictable and harmful outcomes of auctioning tax-foreclosed properties