Land Banking: Now the Law in NJ

For years, states have taken action to address blighted and unsafe conditions that come from abandoned homes by allowing towns and counties to create land banks, which return vacant, abandoned, and tax foreclosed properties to productive use.

Today, there are 170 land banks nationwide to address vacant and abandoned properties that have plagued urban, suburban, and rural municipalities. Using a range of special powers, these quasi-governmental authorities have been successful in putting properties back to use in line with local land use goals.

In New Jersey, a national leader in foreclosures, land banks will serve as critical tools used to stabilize neighborhoods, generate affordable housing, and regenerate once-vacant properties.

The New Jersey Land Bank Law

Under the New Jersey Land Bank Law, signed into law by Gov. Phil Murphy in July 2019, municipalities can designate a nonprofit organization or a public entity as the municipality’s land bank. A town may even establish a land bank through municipal departments and agencies of the municipality itself.

How Does It Work?

Land banks can acquire properties on their own and act as a municipality’s agent to purchase liens at a tax sale, carry out lien foreclosures, and take individual abandoned properties.

But first, a municipality must pass an ordinance designating its land bank entity. This agreement will specify the special powers and legal authority granted to the land bank. Under the new law, a municipality can grant to land banks the following powers:

- Obtain property at low or no cost through the tax foreclosure process.
- Acquire properties through contribution, gift, grant, bequest, purchase or otherwise.
- Hold land tax-free.
- Clear title and/or extinguish back taxes.
- Lease properties for temporary uses.
- Negotiate sales based not only on the highest bid but also on the outcome that most closely aligns with community needs, such as affordable homes, a grocery store, or expanded recreational space.
**Getting Started**

- The town is required to hold a public meeting to solicit the advice of the public on the substance and intent of any land banking agreement before an agreement is approved.
- The town’s governing body must vote on and approve any land bank designation and related agreements with the chosen entity.
- Following the town’s designation, the land bank must adopt written regulations governing the sales, leases, and conveyances of land bank property consistent with any provisions of the land banking agreement.
- Within six months, the land bank must create a community advisory board, composed of representatives of recognized community associations and non-profit organizations operating within the municipality, including associations and organizations active in areas where the land bank anticipates holding properties.

**Online Database**

The land bank must publish a list of all current and former land bank properties, each owner of record since it became a land bank property, and the sales price of each property that has been purchased by the land bank. This online database must be updated every six months.

**The land bank is encouraged to incorporate the following into the online database:**

- A list of all vacant and abandoned properties with the municipality.
- Create a mechanism to allow the public to offer suggestions concerning what properties should be labeled as vacant and abandoned.
- Create an interactive mapping component to allow the public to visualize the impact of land banking and the extent of vacant and abandoned properties within the municipality.

**Annual Reporting**

The land bank entity will provide an annual report to the town’s governing body and to the public describing the properties being held and the activities that it carried out during the year as a land bank entity.

**Other**

- A land bank entity may act as a land bank for more than one municipality at the same time.
- Where a land bank property has not paid taxes for 2 years prior to becoming part of the land bank, a municipality in its land bank agreement can pay the land bank up to 50% of the property tax or payment in lieu of taxes for up to 10 years.

**Need Help with Starting a Land Bank?**

The Housing and Community Development Network of New Jersey (the Network) played a pivotal role in the development of this historic legislation. The Network knows the nuts and bolts of this legislation and can help you with best practices and as you launch this essential community development tool in your community. For more information, contact Matthew Hersh at mhersh@hcdnnj.org.