



EVALUATION OF THE TRI-COG LAND BANK BUSINESS PLAN:

A Solid Foundation for a
Regional Approach to Vacancy
and Abandonment in the Mon
Valley and Beyond

**A report by *Center for
Community Progress*
for the Redevelopment
Authority of Allegheny
County**

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EXECUTIVE SUMMARY

Throughout the country, land banks are playing a critical role in building strong communities and ensuring that problem properties are reused in ways that support the vision and meet the needs of local residents. Land banks are most effective when they are part of a comprehensive and coordinated blight prevention strategy that is directly linked to the tax collection and foreclosure process, operated in response to local land use goals, driven by transparency and accountability, engaged with residents and community stakeholders and aligned with other local and regional programs and partnerships.

The proposed Tri-Council of Government (“Tri-COG”) Land Bank presents a unique opportunity to address the economic, social and environmental impacts of blight and abandonment in the Mon Valley and beyond through a regional and comprehensive approach.¹ Over the past few years, the leadership of the Steel Valley, Turtle Creek Valley and Twin River COGs (“TCC Leadership Team”) have recognized that blight and abandonment transcend boundaries and will require a scale of effort that is larger than the capacity of any one municipality.² As a result, the TCC Leadership Team has engaged their member municipalities, school districts, Allegheny County (“County”) and other regional stakeholders in extensive discussions and analysis of the challenges and opportunities to addressing the high levels of vacancy and abandonment found in the former steel mill towns in Mon Valley as well as the surrounding suburban communities. This regional discussion and local coordination around a shared goal to more effectively fight the blight has culminated in the Tri-COG Land Bank Business Plan, which serves as the basis of our evaluation.³

The Business Plan reflects an impressive amount of engagement, research, and analysis that outlines a clear vision, structure and strategy for creating a multi-jurisdictional land bank in Allegheny County that can serve as a model for both Pennsylvania and smaller communities across the country. Some of the plan’s key highlights that warrant special recognition are as follows:

1. The plan touts a regional and systemic approach to blight remediation that builds off the 40 year history of intergovernmental collaboration of the three COGs, and positions the groundbreaking model to eventually become Allegheny County’s regional land bank.
2. The plan advocates for innovative revenue streams from participating taxing jurisdictions that emulate best practices from across the country.
3. The plan affirms and outlines a transparent, accountable, collaborative, and data-driven approach to governance and operations, including acquisition strategies and disposition policies.
4. The plan recommends a breadth of successful land bank programs, such as Side Lot Dispositions and Deed-in Escrow Renovations, while articulating the need to adapt these programs to local conditions and local priorities.

¹ 42% of blighted properties in County are in Mon Valley, reference Cost of Blight study and p. 12 of business plan.

² Page 6, business plan.

³ List the various studies undertaken, e.g., Cost of Blight, inventory and mapping of blighted properties, financial analysis of acquisition, etc.

There are also components of the Business Plan, explained in greater detail in Section III of this report, that warrant further review and consideration, including:

1. How the legal constraints imposed by the Allegheny Amendment⁴ could impact planning and implementation, including the timeline for finalizing Intergovernmental Cooperation Agreements (“ICA”), the ability to access tax-foreclosed properties in a cost-effective and reliable manner, and overall budget projections. Due to this unique provision in the state’s 2012 Land Bank Act, which applies exclusively to Allegheny County, the success of *any* multi-jurisdictional land bank in Allegheny will hinge on the full participation of all relevant taxing bodies.
2. How the land bank’s overall funding strategy may need to be adjusted and diversified in response to initial concerns over financial commitments expressed in the ICA, and because of varying constraints imposed by the Allegheny Amendment, the tax foreclosure process and local market conditions. Similarly, expectations of the proposed land bank’s financial sufficiency by both the TCC Leadership Team and stakeholders need to be tempered by the reality that *all* land banks will *always* need *some* level of support—whether cash support from the public, private, philanthropic sectors or in-kind support from local governments public assistance—that is proportional to the scope and scale of vacancy and blight the land bank is expected to help resolve.
3. How a stronger commitment to identify and secure strategic partnerships could dramatically increase performance, productivity, outcomes, and fiscal health of the land bank. No land bank can tackle systemic and endemic blight alone, and one key element of success will be building diverse and extensive partnerships across the public, private and civic sectors not only to achieve common goals but also to share the financial burden of what is inherently a costly but necessary endeavor.

There is an undeniable need for effective new interventions to build upon existing efforts to reverse the trend of blight and abandonment in Allegheny County, from the resource-constrained former steel mill towns in Mon Valley to outlying suburban and rural communities. The proposed Tri-COG Land Bank could serve as a key component within a more comprehensive and coordinated blight prevention strategy as well as a model of success on how to enact regional collaboration, build consensus around a shared vision, and coordinate actions and investments by multiple levels of government to achieve healthier, safer, and more vital communities for all.

⁴ Reference to *PA Act 153, Section 2117, Delinquent Property Tax Enforcement, (e.1)*, which states: “...in counties of the second class containing a city of the second class, a land bank may not engage in any of the following absent an agreement with a county, city, borough, incorporated town, township, school district or body politic and corporate created as a municipal authority pursuant to law whose claims comprise the upset sales price: (1) Purchase property for less than the upset sales price described in section 29 of the Municipal Claim and Tax Lien Law or section 301 of the Second Class City Treasurer’s Sale and Collection Act. (2) Alter the form, substance or timing of the payment of the sales price by the land bank.”

Section 1: Introduction

In October 2012, Pennsylvania Governor Tom Corbett signed the Pennsylvania Land Bank Act (“Land Bank Act”), enabling local municipalities throughout the state to create and adapt land banks to local challenges posed by vacancy and abandonment. Land banks are public entities that specialize in the conversion of vacant, abandoned, tax-delinquent and foreclosed properties into productive use. The Land Bank Act was another promising step in a series of state reforms that offered local communities more tools to intervene in and reverse the steady decline of housing conditions and economic vitality. In Allegheny County, the Land Bank Act opened up another venue for action for the Tri-COG Collaborative (“TCC”), a group of local leaders, residents, and officials in the Mon Valley who were already mobilized and focused around the challenges posed by vacancy and abandonment. The organized effort is documented in the TCC 2012 Fight the Blight Plan, which serves as a blueprint for coordinated action to achieve both short-term and long-term goals in more effectively combating vacancy and abandonment within the 40 member communities of the Tri-COG service area. To date, many of the action steps have been implemented successfully, including a 2013 Cost of Blight Study and a 2014 Business Plan for a proposed Tri-COG Land Bank, pursuant to the 2012 Land Bank Act.

The *Center for Community Progress* was retained by the Redevelopment Authority of Allegheny County to review the business plan and implementation strategy of the proposed Tri-COG Land Bank, a multi-jurisdictional land bank that would initially encompass 40 municipalities in the Mon Valley of Allegheny County, but would be open to any municipality in Allegheny County that is a member of one of the County’s eight Council of Governments. The proposed Tri-COG Land Bank is being guided by the leadership of three COGs: Steel Valley, Turtle Creek Valley and Twin Rivers. This review includes general observations and recommendations that are focused on the following areas of the business plan: (i) Organizational structure, (ii) Board composition, (iii) Operating budget & funding strategies, (iv) Strategies for property acquisition, re-use, and disposition, (v) Intergovernmental cooperation agreements and the role of participating taxing bodies, and (vi) Consistency with statewide land bank enabling legislation.

The observations and recommendations in this report are informed by:

1. An extensive review of the 2014 Business plan, 2013 Cost of Blight study, 2012 Fight Blight Strategic Plan, and other relevant materials.
2. Pre-site visit phone interviews and email exchanges with relevant stakeholders and leaders from Allegheny County, the Tri-COG Collaborative, the local philanthropic community, and the civic sector.
3. A two-day site visit, during which Community Progress team members met with a diverse set of stakeholders (a listing of participants is provided in Appendix A).
4. Post-visit interviews and exchanges with members of Allegheny County and the TCC Leadership Team, including additional conversations with local experts on the tax foreclosure process as well as specific provisions in the Pennsylvania Land Bank Act

The *Center for Community Progress* is a national nonprofit organization that works with communities across the country to develop solutions to blight, vacancy and abandonment. As

the national experts on land banking and other tools that address the full cycle of property revitalization—from blight prevention, through the acquisition and maintenance of problem properties, to their productive reuse—we have extensive expertise in working with land banks across the country. This project was led by Kim Graziani, Vice President and Director of National Technical Assistance with support from Tarik Abdelazim, Associate Director of National Technical Assistance.

The project team benefits tremendously from not only extensive expertise with the creation and implementation of land banks from across the country, but also a strong historical understanding of challenges, opportunities and stakeholders in Allegheny County, as well as a broad knowledge of the Pennsylvania Land Bank Act.

Section 2: Context

For decades, vacancy and blight was a community challenge limited almost exclusively to the rust belt regions. From the automotive assembly lines in Michigan to the steel mills in Pennsylvania, the closures of major middle-class job centers seriously destabilized entire regions, the effects of which still pose significant challenges to the economic, environmental and social health of these legacy cities.

Today, local leaders in every corner of the nation and nearly everywhere in between are struggling to minimize the negative impacts of vacant, abandoned and tax-delinquent properties—what we at Community Progress collectively refer to as “problem properties.” The Great Recession certainly exacerbated the conditions in rust belt cities, wiping out some incremental gains and making an already challenging problem seem suddenly intractable. However, the fallout of the housing crisis also impacted a whole new set of communities. From overgrown vacant lots scattered across neighborhoods to entire blocks of abandoned homes, the challenges posed by vacancy and blight have compelled a renewed and urgent focus on both stabilization and revitalization strategies by all levels of governments, as well as residents and community stakeholders.

The attention is well deserved. A vast (and growing) library of studies has shown that problem properties are major nuisances that undermine the economic, social and environmental health of our communities. Problem properties destabilize neighborhoods, attract crime, create fire and safety hazards, drive down property values, and drain local tax dollars—not to mention the human costs that raise concerns about social justice and equity.

Though the challenges are significant, recent efforts to win back neighborhoods are inspiring. Communities are mobilizing with a more sophisticated understanding that an effective and comprehensive fight against vacancy and abandonment must go beyond a few smart tweaks to existing tools and laws. Communities also need new tools, determined political leadership at all levels of government, deeper collaborations across sectors, data-driven decision making and investment strategies, a recurring and diverse funding strategy, and a shift in perception about the government’s role in “fixing” the broken inventory of properties that harm and destabilize our neighborhoods.

There is no question that land banks have emerged as one of the more promising tools among communities that understand “doing nothing” or “keeping with the status quo” is a costly and ineffective proposition.

The national land bank movement may be approximately forty-years old, but the last decade has seen a surge of interest and activity. From the first land bank in 1971 through 2008, only five states had passed land bank enabling legislation. However, in just the last six years, an additional eight states (including Pennsylvania) have passed enabling legislation—and others are in some stage of exploration.

In the face of this growing interest and activity, Community Progress recently completed a national scan of the land bank movement, and identified approximately 120 land banks and land banking programs across the country. Our research confirmed that there is no one-size-fits-all land bank. Existing land banks vary greatly in terms of the types of cities, regions, and economic conditions in which they operate; the size of their inventories; their staffing capacity; their legal authorities; and their goals and programs.

Based on our experience, many land banks have emerged locally (generally pursuant to state legislation) from a broad consensus that vacancy and blight are problems, and that “something needs to be done.” If this multi-jurisdictional land bank is successfully launched with complete buy-in from all levels of government and taxing jurisdictions, the Tri-COG Land Bank Board will have the unusual and impressive benefit of a ready list of recommendations based on extensive research of the land bank field of practice that have been thoughtfully adapted to local conditions.

As Allegheny County considers how best to support blight prevention efforts in the region, we also want to point out that land banks from Georgia, New York, and Michigan have benefited from general fund appropriations from local and county governments as “start-up” funds, many of which had nothing more concrete to offer their supporting governmental partners than a “strong commitment to fight the blight.” What is common across these situations is a shared understanding by forward-thinking government officials that vacancy and blight negatively impact a community’s fiscal health, economic health, and social health—and that the greatest costs come from doing nothing. Indeed, it is not unusual for emerging land banks to receive start-up financial support from local governments and the philanthropic sector.

Compared against these trends in the national field of practice, and given the level of work completed to date by the TCC Leadership Team, we believe that Allegheny County and potential partnering jurisdictions are in a unique and fortunate position. The Business Plan for the Tri-COG Land Bank reflects more than just a determined and inclusive approach to a pioneering model; it represents a thoughtful adaptation of some of the most successful practices in the field.

We often advise communities looking to explore land banks or boards of new land banks that the effort is, at first, a little more art than science. What we mean is that it is often extremely difficult to answer every question about programs, acquisitions and budgets prior to a land bank’s creation and launch. The process of trying to combat vacancy and abandonment is iterative, in that the best land banks incubate ideas, test them in a pilot project, evaluate, refine, expand what works, and then evaluate again. The art is launching a bold new approach to vacancy and blight. The science is in making it more effective year after year.

Given the level of thoughtful due diligence by the TCC Leadership Team, the history of partnership and investment from Allegheny County, and the interest and vision from the local philanthropic community, this proposed land bank presents an exciting opportunity for all parties to lead by example and assume key, prominent roles in piloting a tool that could help the region more effectively tackle a vast and challenging inventory of problem properties. These roles might include:

- The Tri-COG Land Bank serving as the steward of those properties that are causing the most harm to municipalities across the County, and providing local governments—from resource-constrained mill towns to suburban communities—the capacity and infrastructure needed to incubate and replicate cost-effective and efficient strategies to tackle vacancy and abandonment.
- Allegheny County serving as one of the lead taxing jurisdictions to enter into the ICA, committing to a dedicated revenue stream, and affirming the importance of new and proactive strategies to restore vitality and security to communities challenged by vacancy and abandonment.
- The philanthropic community serving as a key partner and investor in the land bank by providing flexible capital to fully leverage public revenue streams, and going forward, identifying other worthy investments that will complement the land bank’s efforts, such as more effective code enforcement, regional planning, uniform data collection and management practices, and community-based efforts to beautify and re-use vacant lots.

The work to date by the TCC Leadership Team presents an exciting window of opportunity for stakeholders at various levels of government and across the private and civic sectors to move Allegheny County to the front of the land bank movement in Pennsylvania. More importantly, it offers all parties the chance to send a strong signal to the residents, families and businesses struggling from staggering levels of blight and vacancy that there is a genuine, long-term commitment to help restore the vitality, health and security of all communities within Allegheny County.

Section 3: Observations and Recommendations

In this section, we present general observations and recommendations within three broad categories: (1) Policy (2) Operations, and (3) Funding.

Policy

The thrust of our policy review was two-fold: (1) to ensure the Intergovernmental Cooperation Agreement (“ICA”) and local ordinance drafted to create and organize the Tri-COG Land Bank are consistent with the Pennsylvania Land Bank Act (PA Act 153), and (2) to investigate how the land bank might interact with the tax foreclosure process and respective taxing jurisdictions, since the business plan identifies the tax foreclosure process as the land bank’s primary source for property acquisitions.

Any and all legal and policy observations on the ICA, Local Ordinance, and Business Plan provided in this report are subject entirely to the review and guidance of local counsel.

General Observations

The proposed ICA and enabling local ordinance were found to be consistent with the 2012 Land Bank Act. Nevertheless, we offer comments and questions relative to the ICA for all parties to consider to ensure consistency across the document and to achieve greater clarity of language on key items, including but not limited to board structure, participation in the land bank by taxing jurisdictions and municipalities, and funding commitments. These questions on and comments to the ICA are included in Appendix B.

We list some observations about perceived limitations of specific language in the ICA under the appropriate sections (for instance, “opting in language” in the Operations section), but one observation, related to “Policy” is worth mentioning here. The Land Bank Act allows for a land bank to negotiate with taxing jurisdictions to set prices for tax-delinquent properties at the judicial sale. We note that the language in the ICA, throughout Sections 6.5 to 6.8, is somewhat unclear. The ICA does not establish clear and consistent parameters for when and how the land bank purchases tax-delinquent properties at a judicial sale, and for which transactions the land bank has been authorized to discharge and extinguish tax liens and claims owed to the respective parties.

In addition to vague language in the ICA related to acquisition costs, we want to draw attention to one provision in the Land Bank Act, commonly referred to as the “Allegheny Amendment,”⁵ that may require further review and consideration. As the name implies, this provision applies only to Allegheny County, and introduces a hurdle here that exists in no other county in Pennsylvania. The “Allegheny Amendment” presents a rather significant challenge for the creation and implementation of not just the proposed Tri-COG Land Bank, but for *any* multi-jurisdictional land bank in Allegheny County, outside of the City of Pittsburgh.

In essence, the Allegheny Amendment indicates that should any one taxing entity—the County, a local municipality, or a school district—decline to sign an ICA, then a land bank could only acquire tax-foreclosed properties within that taxing jurisdiction’s footprint for the upset sales price. This presents a real barrier to ensuring the Tri-COG Land Bank has a cost-effective and reliable method to acquire those tax delinquent problem properties that are harming a neighborhood’s health, safety, and vitality. The upset sales price would generally be cost-prohibitive, as it includes delinquent taxes, interest, fees, delinquent utility payments, and any other municipal claims and liens—not to mention the non-public liens and claims that might exist—which could very well be valued at higher than the market value of the property. If the targeted property also requires substantial renovations, then the acquisition and repair costs would be much higher than what the land bank could expect to return from a subsequent sale. Therefore, the full participation of and leadership from all taxing jurisdictions in the Tri-COG Land Bank is critical to its success. Execution of the ICA by all taxing jurisdictions will ensure the

⁵ Reference to *PA Act 153, Section 2117, Delinquent Property Tax Enforcement, (e.1)*, which states: “...in counties of the second class containing a city of the second class, a land bank may not engage in any of the following absent an agreement with a county, city, borough, incorporated town, township, school district or body politic and corporate created as a municipal authority pursuant to law whose claims comprise the upset sales price: (1) Purchase property for less than the upset sales price described in section 29 of the Municipal Claim and Tax Lien Law or section 301 of the Second Class City Treasurer’s Sale and Collection Act. (2) Alter the form, substance or timing of the payment of the sales price by the land bank.”

Tri-COG Land Bank has a cost effective and reliable method for acquiring problem properties, removing the liabilities and barriers, and returning them to productive use consistent with a community's goals.

Like most land banks and in keeping with best practice in the field, the business plan states the Tri-COG Land Bank's top strategy for acquiring problem properties will be through the tax foreclosure process. Therefore, it is absolutely critical to understand the potential legal and procedural constraints to the Tri-COG Land Bank's goal of carrying out cost-effective and efficient acquisitions. In order to illustrate how the Allegheny Amendment may impact the land bank's ability to acquire a tax-delinquent property, we present a hypothetical problem property in the Tri-COG area and hope this example can foster more focused discussion among local stakeholders, including local legal counsel, on how to ensure a cost-effective and efficient method for the Tri-COG Land Bank to purchase tax-delinquent properties.



Borough of Edgewood
123 ABC Street (purely fictional)

Vacant, abandoned, tax-delinquent property
Delinquent on last seven years of taxes (2007 – 2013)
Owes a total of approximately \$42,500 in delinquent taxes:

- ~\$7,500 in back taxes owed to Edgewood Borough
- ~\$6,000 in back taxes owed to Allegheny County
- ~\$29,000 in back taxes owed to Woodland Hills School District

Suppose borough officials submit this property to the land bank as a top priority for acquisition. Assuming proper approval for acquisition is obtained, that no taxing body expressed opposition to the acquisition, that one of the three taxing bodies agreed to initiate the foreclosure action, and that there were no private bids received at the first sale (upset sale), we point out two alternative scenarios, both of which are subject to the conditions imposed by the Allegheny Amendment.

COSTLY SCENARIO

ICAs signed with Allegheny County and Edgewood, *but not* Woodland Hills School District.

The land bank would need to make whole the Woodland Hills School District, a requirement that applies to no other private bidder during the free and clear judicial sale. In essence, a private bidder could end up as high bidder at say \$15,000, whereas the land bank, as required by the Allegheny Amendment, would have to pay the full amount of back taxes (about \$29,000) to Woodland Hills School District.

Under these conditions, the total incurred by the Tri-COG Land Bank for acquisition and subsequent renovation would likely exceed the housing market values in this neighborhood, and thus make the acquisition cost-prohibitive.

IDEAL, COST-EFFECTIVE SCENARIO

ICAs signed with all three taxing jurisdictions: Allegheny County, Edgewood, and Woodland Hills School District. ICAs *clearly spell out* that all taxing jurisdictions agree to honor land bank's \$1 trump bid at free and clear judicial sale for any and all tax-delinquent properties that are not successfully purchased at upset sale.

After no bid at upset sale, property moves to free and clear judicial sale.

Land Bank exercises trump bid of \$1, and receives property, regardless if there are higher bids.

Third-party servicer of delinquent property taxes agrees to waive any service fees for successful land bank acquisitions.

Even in the ideal scenario, the land bank may want to proceed with a quiet title action⁶, and will likely have to wait nine months before obtaining title insurance. To be clear, even though the nine months redemption period only applies to residential properties that were occupied 90 days prior to the Sheriff's sale, we heard from multiple legal and real estate experts that it is industry standard for title insurance providers to wait the nine months with *all* residential properties, even long-standing abandoned properties.

Recommendations

1. Consider extending the timeline for executing the ICAs from the end of Q4 2014 to the end of Q2 2015. We believe that full participation in the drafting and execution of the ICA should be prioritized over a strict execution timeline. The Allegheny Amendment is a challenge, but rather than respond to the challenge by creating a sense of urgency with the risk of losing partners, we suggest that all parties in support of the Tri-COG Land Bank recognize the importance of allowing for greater deliberations to ultimately secure agreement.⁷

⁶ Our suggestion of a quiet title action stems from an uncertainty about whether the local tax foreclosure process meets constitutionally required notice, since such an analysis was beyond the scope of this assessment. TCC Leadership Team, Allegheny County, and the Tri-COG Land Bank Board should defer to local legal counsel to determine whether such action would be necessary to guarantee insurable, marketable title.

⁷ In so far as barriers exist for the County and school districts, we heard from multiple parties that reluctance to sign the ICA stems from the proposed funding terms. To that end, we offer some suggestions in the Funding Section below about how to possibly minimize and overcome such barriers.

2. We encourage the TCC Leadership Team to review and consider our comments to and questions on the ICA (Appendix B).
3. We recommend that the TCC Leadership Team include in the Business Plan a better explanation of the 9-month redemption period for properties acquired through the tax foreclosure process, and that they encourage the incoming board to establish clear policy decisions specific to this 9-month redemption period to minimize risk and guarantee insurable, marketable title for properties acquired through the Sheriff's Sale. Such policy decisions may result in the need to revise assumptions about the number of acquisitions, timeline for acquisitions, and revenue projections from property sales.
4. We recommend that all parties involved in the foreclosure process, including any third-party servicers, consider how they can help the Tri-COG Land Bank develop a reliable, cost-effective and efficient method to acquire tax-delinquent properties. We recommend clear and concise language in the ICAs granting the Tri-COG Land Bank the ability to use a \$1 trump bid for any tax-delinquent property that receives no eligible bids at the upset sale. Similarly, we encourage third-party servicers of delinquent property taxes to voluntarily cooperate with this regional and intergovernmental initiative, and agree to waive their service and processing fees on any and all land bank acquisitions at the Sheriff's Sale.

Operations

We approached our review of the business plan and implementation strategy with the understanding that the intent of this document is to offer a framework of recommendations, based on local conditions and informed by background research of successful land bank practices and strategies elsewhere, for the Tri-COG Land Bank board to consider and ultimately decide upon. Based on our experience and expertise, the seated board is the appropriate forum in which final (and ongoing) discussions around membership structure, staffing, acquisition and disposition strategies, funding and budgeting should occur.

With this as its intent, the business plan document serves as a very constructive framework within which the board, in consultation with the established advisory committees, will carry out its final decisions. In fact, few land banks in their early stages of creation have had the benefit of the well-researched foundation and framework that this business plan affords the Tri-COG Land Bank.

Still, this business plan should be seen as a working document and framework for the board as well as the parties that are being approached to sign the ICA. The objectives, operations, policies, financial plan and budget contained in the business plan are well-researched and thoughtfully prepared but will change depending on key decisions that are made regarding geographic scope of land bank, participation of taxing jurisdictions and terms of ICA, board-defined strategic priorities, and the inventory and status of available tax-delinquent properties. Ongoing evaluation and fine-tuning of programs, policies and activities should continue as an iterative process as the land bank actually carries out its work in the coming years. Based on our discussions with the TCC Leadership Team, they are determined and persistent to continuing to respond to local needs and challenges, and have a willingness to learn along the way.

For convenience of the reader, we grouped more specific observations and recommendations under key sections in the business plan.

Organizational Structure

General Observations

Given the scale and comprehensive systems needed to address blight and abandonment, the multi-jurisdictional approach to the Tri-COG Land Bank can serve as a model for not only Allegheny County and Pennsylvania, but the national field of practice. Whether the focus of concern is economic decline and job losses, hazard mitigation, blight and vacancy, or crime—none of these challenges respects municipal boundaries. To effectively combat and address these challenges, a coordinated, multi-jurisdictional approach around a shared vision of a safer, healthier and vibrant Allegheny County is absolutely critical and necessary.

Housing the land bank within the existing COG infrastructure builds upon the trust that member communities have in these regional entities to effectively deliver intergovernmental services. Situating the land bank within the Tri-COG infrastructure also allows the land bank to draw upon the expertise and capacity of the existing staff the first year or two, controlling administrative costs. This is a common practice among new land banks, with some small land banks operating for years without any dedicated staff.⁸ The budget in the Business Plan indicates about \$160,000 for administrative costs, but since this was earmarked to reimburse a portion of the salaries of existing TCC staff, we assume this could be adjusted should initial revenues be lower than projected.

Finally, the COG infrastructure allows for the land bank to scale up incrementally as more jurisdictions choose to opt-in—a goal shared by all interviewees. In this sense, the Tri-COG Land Bank's initial focus around the Mon Valley region could be viewed as a pilot for the other 89 municipalities outside of the Tri-COG service area, any number of whom may choose to opt-in as capacity grows and intergovernmental cooperation continues. Given the amount of time and effort it takes a land bank to get up and running as well as the history of fragmentation within Allegheny County, the emergent Tri-COG Land Bank is poised to serve as the region's one land bank for all municipal members of a COG.

This expanded focus to serve as the single countywide land bank provides various opportunities for the County's participation, including but not limited to the commitment of financial support to help build the land bank's capacity to allow more municipalities to opt-in; the commitment of in-kind support and technical assistance; and leading and directing the strategic coordination of county, local and land bank investments and programs, consistent with community-based plans and local priorities, to achieve maximum impact. There are complementary goals, short-term and long-term, that could be well-served by a strong partnership between the initial Tri-COG Land Bank and Allegheny County.

⁸ To read more about a County Land Bank that operates successfully without dedicated staff, see [Take it to the Bank: How Land Banks are Strengthening America's Neighborhoods](http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=8120), Center for Community Progress, November 2014, pgs. 58-61 (Portrait #6: Marquette County), http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=8120

In conversations with the TCC Leadership Team, we heard an expressed commitment to and interest in this vision of a regional land bank, in which communities outside the Tri-COG area could opt-in. To efficiently manage this process, the TCC Leaders shared with us some reasonable criteria for opting-in that we did not see reflected in the most recent ICA. According to the TCC Leadership Team, any municipality outside the Tri-COG area that wants to opt-in must be a member of a COG within Allegheny County, and must also have the expressed commitment of their respective school district to join the Tri-COG Land Bank.

Based on our interviews with stakeholders and evaluation of local context, it appears these are reasonable demands, particularly in light of the Allegheny Amendment. Both the local government and the school district should be committed to sign and execute the ICA to ensure the land bank can cost-effectively and efficiently access tax-foreclosed properties within the new jurisdiction's boundaries. Moreover, this criteria puts the responsibility on municipal leaders to foster awareness and partnership with their respective school district board instead of the Tri-COG leaders or land bank board members, none of whom might have any prior relationship with the school district board members.

Recommendations

1. We encourage all taxing bodies, particularly the County as the region's leader, to consider all the ways it might support the Tri-COG Land Bank—not just financially—so that, down the road, this truly could become a countywide tool to help all COG member municipalities more effectively combat vacancy and blight. Consideration should be given not only to new policies and innovations, but also to rethinking existing programs, policies, and allocation of discretionary funds in support of a more comprehensive, focused, and coordinated approach to vacancy and blight.

For example, Chautauqua County recently launched a “landfill tipping fee waiver” program to support the new Chautauqua County Land Bank's (CCLB) strategic priority of demolishing seriously distressed and abandoned residential structures. Chautauqua County, which owns and operates the region's landfill, has agreed to waive tipping fees for a set amount of tonnage of debris from demolitions carried out by CCLB. Tipping fee credits, or waivers, are allocated annually to municipalities throughout Chautauqua County, with the urban communities receiving more credits because of a higher prevalence of blighted structures in need of demolition.

Additionally, the County might consider creating new strategic target areas for its Vacant Property Program informed by existing county investments, local planning and revitalization efforts, and Tri-COG Land Bank priority areas. Many stakeholders we spoke with viewed the County's program favorably, and wished the program was funded at higher levels. Rather than viewing these programs as redundant, we view them as complementary, and encourage the County and the Tri-COG Land Bank to work collaboratively to identify opportunities to align the limited resources of both parties to maximize strategic impact.

2. We encourage the TCC Leadership team to add language that clearly spells out the criteria for municipalities and taxing jurisdictions located outside the Tri-COG area that want to opt-in, to achieve consistency with the reasonable conditions stated to us during the site visit.

Board Structure

General Observations

Our research and experience have shown that board structures of land banks differ greatly, with some comprised almost exclusively of government officials or staff, and others excluding political appointments entirely. Board composition is a local decision but guided by the basic requirements set forth in the Land Bank Act, and we defer to each community to determine which individuals are deemed most appropriate to serve as board members. However, Community Progress consistently encourages all land banks, particularly newly created land banks, to make decisions that reflect a genuine commitment to transparency, accountability, inclusiveness, and equity. Based on our review and discussions with multiple stakeholders, it appears the proposed board structure in the TCC Business Plan adequately meets this charge. Additionally, naming the initial board members (“interim board”) in the ICA is required by and consistent with the Land Bank Act.

Recommendations

1. Consider adding a Community Advisory Committee, but with a slightly different member composition than usual due to the multi-jurisdictional nature of the organization. Rather than just any interested individual, consider strategically assembling an advisory committee of likely partner organizations and allied groups, particularly those who may share common interest in assisting and giving voice to those populations most affected by blight and abandonment. For example, members of this committee might include CDCs and CBOs,⁹ urban gardening and urban forestry groups, stormwater management advocates, and other local government network organizations like CONNECT and PCRG. Typical Community Advisory Boards can serve dual purposes: ensuring that community input and priorities guide and inform land bank decisions, while also ensuring that land bank activities and decisions are communicated back to the neighborhoods in a timely and accurate manner. While the Tri-COG Land Bank’s Community Advisory Board can help achieve these important goals, it could also serve as a reliable and consistent venue through which to engage key partners that share a common goal of re-purposing liability properties into neighborhood assets. With that being said, this recommendation is not meant as an alternative to genuine citizen engagement, a practice that should remain, as proposed, at the core of the land bank’s work.
2. Consider only appointing to the Interim Board those individuals that are committed and expected to serve on the initial board, if possible, as it would be more efficient to vest any early decisions in the board members who will be initially seated. Additional comments and an alternative suggestion regarding the interim board are included under item #13 in Appendix B.

⁹ Community Development Corporations and community based organizations have a strong commitment to resident engagement and representation, and generally focus work to geographical areas, which can include multiple jurisdictions or be so focused to one particular neighborhood.

3. Consider maintaining an active, accurate, and comprehensive website.¹⁰ Though not directly related to the actual structure and composition of the board, an effective website will help affirm the board's commitment to accountability and transparency, and can ultimately help build trust in and awareness of the land bank's work. All board meeting notices, agendas, meetings, decisions, and reporting should be promptly posted online and easily searchable and reviewable by all members of the public. We refer interested parties to the Greater Syracuse Land Bank, which maintains a highly accessible, accurate, and comprehensive website as part of its commitment to accountability and transparency.¹¹

Acquisition Policies & Strategies

General Observations

Perhaps no element of the business plan warrants more consideration than the proposed acquisition strategies. We want to be very clear: this has less to do with the quality of the research and analysis reflected in the working documents, and more to do with the challenges specific to Allegheny County mentioned above in the Policy section that could restrain at best and derail at worst the ability of *any* multi-jurisdictional land bank in Allegheny County outside of the City of Pittsburgh to access tax-delinquent properties through the Sheriff's Sale. Careful and thoughtful deliberation about the impacts of the Allegheny Amendment is needed, since execution of an ICA by all parties will be required in order to provide more predictability and reliability with the land bank's acquisition costs and the overall budget.

Barring this uncertainty, we want to affirm the level of research and analysis reflected in the business plan's section on acquisition policies and strategies, and the apparent effort to adapt these successful practices to local conditions in Allegheny County,, including market conditions, housing needs, and land use goals. The Business Plan outlines proposed acquisition priorities, offers an acquisition flow chart, identifies all possible ways the land bank might acquire properties, and includes a sample acquisition policy, which is aptly described as a "tool to guide further discussion," based on research of the Acquisition Policy and Procedures of a diverse set of eight existing land banks.¹²

We were initially concerned that the proposed selection, vetting and approval process could be potentially unwieldy, since each taxing jurisdiction is granted 30 days to oppose each acquisition (or disposition). In conversations with the TCC Leadership Team about the origin of this recommendation, we learned that most taxing jurisdictions expressed satisfaction that the organizational and board structure, as well as the proposed policies, represented a fair and judicious framework to ensure acquisitions would be consistent with local priorities. However, a few taxing jurisdictions that represent larger geographical footprints expressed concerns over 'loss of control.'

¹⁰ According to members of the TCC Leadership Team, funds are already earmarked to build a comprehensive website for the land bank from an existing grant from Pennsylvania's Department of Community and Economic Development.

¹¹ Greater Syracuse Land Bank website, <http://syracuselandbank.org/>

¹² The sample Acquisition Policy can be found in Appendix III of the Tri-COG Land Bank Business Plan, and was informed by research of the acquisition policies of the following land banks: Genesee County Land Bank, Ingham County Land Bank, Westmoreland County Land Bank, Kansas City Land Bank, Chautauqua County Land Bank, Cuyahoga County Land Bank, Greater Syracuse Land Bank, and Buffalo-Erie-Niagara Land Improvement Corporation.

The TCC Leadership Team felt that building trust with the participating members was critically important, and that the 30-day provision was a simple and fair mechanism to achieve that goal. Since the process to acquire properties through the foreclosure process may take months, the 30-day window at the front end will not inordinately slow down the process or impede in the land bank's desire to be nimble and flexible. Note that a non-response during this 30-day window counts as an affirmative response. Given the complications in launching a multi-jurisdictional land bank, the importance of prioritizing the execution of the ICAs, and the feedback from the TCC Leadership Team on local relationships, it appears this is a fair and prudent approach, so long as the 30-day window is sufficient time for participating taxing jurisdictions to consider and render decisions consistent with their respective rules and regulations.

Community Progress encourages land banks to develop acquisition strategies and policies that are data-informed, market-driven, and locally determined. The TCC Leadership Team has shown a commitment to this approach in conversation, as well as in practice, evidenced by more than \$300,000 in grant requests pending or recently approved to carry out three complementary planning initiatives that will help ground and inform the land bank's strategic interventions. The TCC Leadership Team aims to complete in the coming year a Healthy Housing Market Strategy in seven communities, with support from the Housing Alliance of Pennsylvania; a Commercial District Analysis and Strategic Redevelopment Plan in ten communities; and a full inventory of all vacant lots in the Tri-COG area, with analysis of the impacts of existing green infrastructure on the real estate market.

Recommendations

1. We recommend that the Tri-COG Land Bank expressly request that member municipalities submit to the land bank lists of problem properties for suggested acquisition consistent with the board's approved acquisition policy. This submission process would help the land bank satisfy its commitment to address problem properties in concert with locally determined priorities and board policy. It should not be incumbent upon the new board and limited staff of the Tri-COGs to carry out this field work independently (though the Tri-COG staff might offer assistance to those communities with the least capacity). Furthermore, we encourage the Tri-COG Land Bank to consider using these lists to continue educating and engaging local officials about how priorities must be evaluated against market conditions, funding constraints, and strategic revitalization plans. An extended exercise of dialogue about and ongoing evaluation of the list should help move the conversation from a ranking of specific properties to a richer, more nuanced conversation about other barriers, reforms, opportunities, and policies as it relates to vacancy and blight. These local exchanges will help manage expectations, enhance the understanding of the underlying challenges, and build stronger consensus about effective strategies and investments. We refer interested parties to Buffalo Erie Niagara Land Improvement Corporation (BENLIC), which developed a standardized form for local municipalities to complete on any problem property that they would like the corporation to prioritize and consider for acquisition, and which BENLIC then uses to open up more substantive discussions with local officials and stakeholders.¹³

¹³ BENLIC's *Standardized Inspector Report and Maintenance, Disposition and Re-use Plan* form can be found online, http://www2.erie.gov/environment/sites/www2.erie.gov.environment/files/uploads/BENLIC_SIR-and-MDR_Plan.pdf

2. We recommend that all policies, including acquisition policies, be revisited annually by the board, open to public input and adjusted as needed to meet local conditions and context.
3. We encourage the TCC Leadership Team to consider how external partners, including the County, could contribute to Tri-COG's proposed 2015 planning initiatives in the Mon Valley, either through technical support, GIS mapping capacity, or direct participation.
4. We encourage all parties to support and implement the standardization of data within Allegheny County, as well as the efforts by PNCIS to lead and coordinate such reforms and similar initiatives of regional information management practices. Timely access to accurate parcel, demographic and market data will greatly improve the decision-making and investment strategies of any organization or agency working to improve the area's economic, social or environmental health.

Disposition Policies & Strategies

General Observations

One of the key benefits of a land bank is its ability to adopt disposition strategies for problem properties that have been abandoned by the market that are more flexible than the rules that govern the sale of property by local governments. This flexibility allows a land bank to be not only more nimble to local conditions, but also more responsive to local needs. That is, as opposed to the speculative auction, a land bank has the power to ensure projects more predictably align with and advance a community's vision. For all these reasons, it is critical that a land bank's disposition policies reflect a genuine and complete commitment to transparency, and are strongly guided by local priorities.

The recommended disposition policies and strategies appear to be consistent with local land use goals and best practices from the field.

A land bank is expected to create predictable outcomes that are consistent with local priorities, so we affirm the recommendation to establish a list of strategic priorities to guide dispositions. Being selective about transferees is equally as important, and we support the recommendation to prohibit sales to transferees who have a record of code violations or tax delinquent accounts. Our experience has shown that access to reliable and accurate data about repeat code violators, particularly across jurisdictions, can present challenges to properly screening potential transferees, which only further illustrates the importance of linking land bank activities to a wider blight prevention strategy that includes reforms to data collection and information management practices, and efforts to develop effective, efficient and equitable tax foreclosure and code enforcement systems.

In addition to establishing priorities and screening transferees, a land bank should also develop and use enforceable mechanisms in a sales contract to ensure the outcome is consistent with the proposed redevelopment and re-use goal. Many land banks have also established timelines for work to be completed, as well as quality of work and materials used. Therefore, we affirm the recommendation to emulate Cuyahoga Land Bank's Deed-in-Escrow program (by using a reverter clause or some other legal alternative, like the Greater Syracuse Land Bank, which

uses a Developer Agreement and an Enforceable Note and Mortgage) to maintain the Tri-COG Land Bank's equity in the property to ensure the outcome is consistent with the proposed redevelopment goal.

Finally, given the large inventory of tax-delinquent, vacant, unimproved land in the Mon Valley, we affirm the recommendation to emulate two standard land bank programs: a Side Lot Program and an Adopt-a-Lot program.

Recommendations

1. We encourage the Tri-COG Land Bank to adopt the Acquisition and Disposition Policies prior to any transactions, and as mentioned above, revisit these policies annually with public review and input in a transparent and accountable manner.
2. We encourage the TCC Leadership Team to consider how the acquisition of vacant, unimproved lots opens up a sizable network of potential partners, with potential re-uses including urban agriculture, pocket parks, green stormwater infrastructure, ecological research, and urban forestry. Some of these partnerships may already be in operation or experimenting elsewhere in the County, and we encourage the TCC Leadership Team to continue exploring these partnerships.
3. We encourage the supporters of the land bank to reflect on challenges other land banks have experienced in implementing a Side Lot Program with an active 5/50 tax recapture agreement in place. For background purposes, the Land Bank Act permits land banks to collect up to 50% of the property taxes on any property sold by the land bank for five years after the sale, so long as a land bank secures the necessary approvals and agreements from the taxing jurisdictions. The proposed ICAs developed by the TCC Leadership Team include this 5/50 tax recapture provision. Typically with Side Lot Programs, an adjacent homeowner purchases a side lot, and then completes the necessary paperwork to consolidate (merge) the parcels. Local assessors and tax collectors have run into challenges trying to figure out exactly how to calculate the amount to remit to the land bank when the side lot, on paper, no longer exists due to the consolidation. This isn't by any means a reason to not implement the program. We mention this simply to make the TCC Leadership Team aware of an administrative challenge that has recently emerged in the field and thus warrants further consideration.
4. We support the business plan's recommendation to link pricing options to strategic priorities, but we encourage the TCC Leadership Team to consider how such an approach may still be too restrictive and undermine the land bank's overall goals. For instance, the land bank states that any private purchaser who does not plan to make the property her primary residence, must pay market price. In as much as homeownership remains a top priority for most land banks, the reality is that for many legacy cities and distressed communities, well-managed affordable rental housing may be more consistent with market realities and therefore in more demand than homeownership opportunities.

For example, if a local investor-owner who wants to produce quality affordable rental housing has only \$60,000 in capital to invest, it may be more beneficial to have all or most of this equity invested in the property. Many land banks have developed flexible policies and programs that, in keeping with this example, would allow the property to be

sold for \$1,000 with an enforceable guarantee that \$59,000 be invested in quality affordable rental housing. These land banks have determined this outcome to be more favorable than demanding a market price of \$25,000, to see only \$35,000 invested in the rental property. Of course, the more financial support a land bank has from local governments and partners in the civic and private sectors, the more it can focus on generating outcomes that maximize benefit for the neighborhood.

Funding & Budgeting

Community Progress was not retained to carry out a forensic analysis of the proposed budget. Instead, we were charged with providing general observations about the budget drawing upon our expertise of successful land bank practices and our experience supporting land banks across the country. With this in mind, we provide general comments about a few items that draw our attention: (i) funding commitments by taxing jurisdictions, (ii) revenue from sales, and (ii) costs of renovations.

Funding Commitments by Taxing Jurisdictions

Observations

Our recent national survey of the land bank movement—which extends from Omaha, Nebraska to Long Island, NY, and from Michigan’s Upper Peninsula to Atlanta, Georgia—uncovered a high degree of innovation and creativity around the range of activities a land bank generally carries out. However, one area that continues to challenge the land bank field of practice is funding. In fact, in our survey of nearly 50 land bank leaders, funding was identified as the number one barrier to growing capacity and more effectively addressing problem properties in their respective communities.

In some regard, this is not surprising. If tackling vacancy and abandonment was cheap or cost-effective, the private market would be leading the charge and there would be little need for land banks. However, the reality is that clearing the financial liabilities and legal barriers of problem properties is a costly, long-term endeavor, particularly in many of our former-industrial regions that have seen a tremendous level of population decline, job loss and declining market conditions.

Based on our experience and research, there is one powerful funding mechanism that currently offers land banks a substantial degree of financial security, and that is Ohio’s Delinquent Tax Assessment Collection (DTAC), a recurring and reliable funding stream established under the state’s 2009 land bank legislation. DTAC is an additional penalty added on all delinquent tax bills, the proceeds of which are re-allocated exclusively to county land banks. For example, for every year since 2009, the Cuyahoga County Land Bank has received \$7 million (capped amount) from the 5% DTAC fee.¹⁴

Though hardly as consequential as DTAC, the five-year, fifty percent (5/50) tax recapture provision has been a common funding mechanism found within most of the state enabling land bank bills passed over the last six years. The 5/50 tax recapture provision allows land banks to

¹⁴ Not surprisingly, land bank leaders from Ohio were the only survey respondents that did not name funding as the major barrier to their land bank’s effectiveness. Instead, they named “Governance and Political Culture” as the top barrier.

receive half of the annual taxes on any property sold by the land bank, for five years after the sale.

The TCC Leadership Team proposes two funding mechanisms in their ICAs: (1) the 5/50 tax recapture provision, as allowed by the state's Land Bank Act, and (2) a clever emulation of Ohio's DTAC mechanism, requesting that all parties to the land bank contribute 5% of the delinquent taxes collected ("DTC fee") in the prior year (this does not include penalties and interest). The difference, of course, is that Ohio's state law created a new fee on delinquent bills, whereas, the Tri-COG's 5% DTC fee represents a small allocation of local delinquent taxes collected each year toward a new investment.

The proposed funding strategies, particularly the 5% DTC fee, have generated some concern among a few key tax jurisdictions, which has led to a reluctance in executing the ICAs. Due to the Allegheny Amendment, the County, school districts and local municipalities must all execute ICAs to allow the land bank to reliably and cost-effectively acquire tax-delinquent properties through the local foreclosure process. Since funding seems to be the root cause of some hesitancy on the part of key taxing jurisdictions to execute ICAs, we suggest this is a logical point for more focused deliberation and possible renegotiation.

Recommendations

In our recently released report on land banks, we stated the following: "The fact is, land banks will *always* need *some* level of support—whether cash support from the public, private, philanthropic sectors or in-kind support from local governments—that is proportional to the scale and scope of vacancy and blight the land bank is expected to help resolve."¹⁵

The TCC Leadership Team should be commended for crafting ambitious and equitable funding mechanisms that would generate a recurring and reliable revenue stream for a costly and long-term endeavor—tackling head-on the number one challenge to existing land banks everywhere outside of Ohio. Ideally, Community Progress would support the commitment of all taxing jurisdictions to both the 5/50 tax recapture provision and the 5% DTC—or other terms that would ensure the land bank has the resources necessary to carry out its work reliably and effectively.

However, in the face of the Allegheny Amendment, the importance of prioritizing execution of the ICA, and expressed reservation about the 5% DTC fee by some taxing jurisdictions, we offer some suggestions to help all parties reach agreement on funding and hopefully move forward with execution of the ICAs within the first six months of next year.

1. First, we encourage all parties to recognize the staggering costs of blight, as outlined in the TCC's 2013 Cost of Blight Study, which joins an already large volume of research that details the economic and social costs of blight. More recently, cost-benefit analyses of actual land bank interventions (in Cleveland, Flint, and Philadelphia) present a compelling case and powerful argument for a land bank's return on investment. The verdict is quite clear: effective and successful land bank interventions will be costly, *but the greatest costs come from simply doing nothing.*

¹⁵ Center for Community Progress, *Take it to the Bank: How Land Banks Are Strengthening America's Neighborhoods*, http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=8120

2. Home-Rule municipalities do have the greatest responsibility in tackling vacant and abandoned properties, and thus it is reasonable and fair to expect local governments to make the greatest investment in the Tri-COG Land Bank than any other taxing jurisdiction. Furthermore, as alluded to earlier in the report, the Tri-COG Land Bank is also viewed by many Tri-COG member community leaders as an extension of local government. The Tri-COG Land Bank, in a practical sense, can become an enhanced, multi-jurisdictional department that provides a suite of municipal services specific to vacancy and abandonment to cash-starved local governments that currently struggle to deliver such services, if at all. The consolidation of “blight elimination” services in one entity that has been endowed with unique and special legal powers is a great resource to develop. More than just carrying out the usual land bank activities, the Tri-COG Land Bank is also perceived by many Tri-COG members as “a solutions finder” that can offer member municipalities expertise with neighborhood planning, local land-use decisions, grant development, and serve as a knowledge exchange and learning center for municipal officials whose jobs intersect with vacancy and blight (see Appendix C). For these reasons and more, the municipalities should make the strongest financial commitment to the land bank’s success.
3. Since the 5% DTC allocation hinges on which municipalities join the land bank throughout the calendar year, the County would have a difficult time predictably budgeting for this appropriation each year. An alternative is for the County to consider agreeing to the 5% DTC with a graduated cap over the next five years. The maximum cap, which should increase annually, allows the County predictability during the budget process.
4. Some, but not all, land banks have been able to secure financial commitments from their respective school districts, with forward-thinking school board members recognizing that a neighborhood’s vitality and quality of housing choices may greatly impact a local school’s student population and overall success. Perhaps there might be a creative way for local foundations to gently incentivize school districts to agree to the full 5% DTC contribution by offering to match any commitments dollar for dollar for the first three to five years.
5. Consider clear language in the ICA on a \$1 purchase price for all tax-delinquent properties through the clear and free judicial sale. The TCC Leadership Team should be mindful that a taxing jurisdiction’s financial commitment need not be measured exclusively by whether or not the jurisdiction agrees to the 5/50 tax recapture and 5% DTC contribution. If, subject to existing state and local law, the taxing jurisdictions were to agree to sell to the land bank any tax-delinquent property for \$1 at a judicial sale, this would represent another form of contribution, even if it is minimal, that will improve the land bank’s overall fiscal health.
6. All parties might consider granting employees of taxing jurisdictions that agree to both the 5/50 tax recapture and the 5% DTC contribution access to Tri-COG Land Bank programs and services, such as offering employees a Home Purchase Assistance Grant or “First Look” at land bank homes for sale. The “First Look” program would grant employees of participating jurisdictions 30 days to consider purchasing a renovated home at the marketed price before it was officially listed to the general public at the same price.

7. Finally, on a more technical matter, we encourage the TCC Leadership Team to consider adding additional language to better clarify a party's financial commitment as it relates to when a party chooses to become a member and when a party terminates membership at various points throughout the calendar year. For a new party executing an ICA in August, the current language suggests the party will owe their annual contribution of delinquent tax collections by October 1, and perhaps it would be better to prorate financial commitments for new members.

Budget Estimates: Revenue from Sales

General Observations

The TCC Leadership Team has proposed emulating the successful practice of “cross-collateralization,” which is a process by which land banks acquire and sell marketable, tax-foreclosed properties to generate operating revenue that can subsidize the renovation and/or demolition of more distressed problem properties.

Unfortunately, our understanding of the PA tax foreclosure process seems to make this an unlikely proposition. Many current land banks that successfully cross-collateralize activities can efficiently and predictably access higher value properties at reduced prices, either through formal agreements with their foreclosing governmental units (the entity which enforces delinquent taxes) or because state-enabling legislation provides the land bank with the power to purchase tax delinquent property at tax sales with the use of trump bids, credit bids, or both. Though the state's Land Bank Act allows trump bids and credit bids to be used at the judicial sale, the Allegheny Amendment muddies the water. Moreover, we were informed by numerous stakeholders that, in Allegheny County, many higher value properties generate competitive bidding at the upset sale. Therefore, the success of the Tri-COG Land Bank's cross-collateralization strategy will largely hinge on how the Allegheny Amendment is locally interpreted and how many properties remain available after the upset sale. If the land bank's ability to access higher value properties is indeed compromised by both state law and local market forces, then the revenue projections from the sale of properties is likely overestimated.

Recommendations

1. We encourage revisions to appropriate line items in the business plan to reflect the likely difficulty in implementing a successful cross-collateralization strategy.
2. We encourage the TCC Leadership Team to recognize that a very diverse funding portfolio—including county, state and federal grants; local foundation support; in-kind donations of services from partnering agencies; volunteerism and the cultivation of social capital—must be an essential component of the land bank's overall and long-term business plan.

Budget Item: Costs of Renovations

General Observations

Based on our research and experience, the cost of renovating residential properties varies widely. There are a myriad of factors that can impact the rehab budget of problem properties, such as market conditions, the duration of vacancy and local climates, state laws (pertaining to

asbestos, for example), scope of work, disposition goals, labor markets, source of funding (which may trigger more costly, mandated repairs, such as HUD funds), and partnerships. We have seen renovation budgets for vacant, single-family residential properties ranging from \$100,000 or more to produce a HUD-funded “Healthy Home,” to \$25,000 or less to address roofs or critical system repairs. For these reasons, we are in no position to reasonably judge the estimated costs indicated in the budget.

The TCC Leadership Team did acknowledge that early projections were too low and perhaps unfounded, but that estimates included in the revised business plan were informed by staff from a local development group that has experience renovating tax-foreclosed properties acquired through the City of Pittsburgh’s tax foreclosure process for market-rate housing. Rather than try to dissect the reasonableness of even the revised estimates, we offer a few examples of how other land banks approach the renovation of problem properties with a focus on controlling costs:

Nonprofit and private housing development organizations. We can’t stress enough the value and importance of forging strong partnerships with existing housing developers in Allegheny County. These organizations bring a tremendous level of expertise, capacity, and additional funding to land bank projects, and nearly all successful land banks work closely with such housing development partners. We acknowledge affordable housing as a common strategic priority in many neighborhood markets and communities, but it is important to note that many nonprofit housing development organizations are not limited to affordable housing projects. Thus, if the Tri-COG Land Bank has access to flexible funding sources that do not trigger income-eligible requirements, these developers could be invaluable partners in carrying out rehabilitation projects that would allow the land bank to reach a wider pool of potential first-time homebuyers. Our experience has shown that in many distressed communities where affordable housing needs are high, there is also a healthy pool of potential home purchasers within the 80 – 120% AMI bracket that are unable to access affordable housing (generally defined as housing for those with household incomes lower than 80% AMI) but may still have difficulties finding decent, quality housing within their price range. Regardless of the income profile of the potential homeowner at the back end of renovations, land banks across the country do significantly more with less by building strong partnerships with local and respected affordable housing developers—leveraging not only their expertise and capacity, but also their housing rehab dollars.

Partnerships, partnerships, partnerships. The most successful land banks have built diverse and extensive partnerships across the public, private and civic sectors to not only achieve common goals but also to share the financial burden of what is inherently a costly but necessary endeavor. For instance, the Cuyahoga Land Bank (OH) has fostered innovative partnerships with a range of social service agencies who serve clients with housing needs, such as the International Services Center (“ISC”) that helps refugees resettle in the Cleveland area.¹⁶ ISC identifies appropriate homes from the land bank’s portfolio to convert into rental properties for their clients. Cuyahoga Land Bank donates the homes, and then the two agencies split the renovation costs. The program generates

¹⁶ Center for Community Progress, *Take it to the Bank: How Land Banks Are Strengthening America’s Neighborhoods*, http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=8120

multiple community benefits, and in the process, cuts the land bank's potential renovation costs in half for a select group of properties.

In-House Renovations. Some land banks have built the internal capacity to carry out renovations, but most rely on private contractors or developers and limit their responsibility to project management and/or construction inspection, with smart enforceable protections to ensure quality work consistent with the proposed re-use plan.¹⁷ What's important to mention with in-house renovations is that there is a lot of creativity and variability around what work to actually complete. A two-year old land bank in New York recognized that full-renovations of abandoned and tax-foreclosed properties would be too costly, and instead invests about \$30,000 per home to create a "cleaned-out shell," removing asbestos and gutting as needed. The goal is attract private homeowners more willing to invest because the "unknowns" have been eliminated, and the home is like an open canvass for easy customization. Other land banks generally limit investments to \$25,000, with a focus on the roof and HVAC systems.

Recommendations:

1. We encourage the TCC Leadership Team to continue engaging potential partners, and to constantly think creatively about the resources partners can bring to the table to offset operational costs and expand program capacity. For instance, given multiple public agencies (including Allegheny County) and affordable housing development agencies have housing inspectors on staff, the Tri-COG Land Bank might consider negotiating construction inspection services as an in-kind contribution or at least for a heavily reduced rate in the first few years of operation.
2. We encourage the TCC Leadership Team to include more direction and guidance in the Business Plan about the land bank's proposed role in renovation projects, and encourage the land bank to initially consider a near-exclusive reliance on either third-party contractors or existing local CDCs rather than trying to do the actual renovations in-house.

Section 4: Conclusion

The former steel mill towns in the Mon Valley are seriously challenged by high levels of vacancy and abandonment, the costs of which are staggering. Over the last few years, the TCC Leadership Team has mobilized a network of concerned residents, officials, and allies in and beyond Mon Valley to better understand the challenges of vacancy and abandonment, identify possible solutions, and commit to a more aggressive and effective fight against blight. After the state passed land bank enabling legislation in October 2012, the TCC Leadership Team focused, among other initiatives, on the possibility of launching a multi-jurisdictional land bank to serve their 40 member municipalities. Following a 2013 Cost of Blight Study, and with ongoing support from the Housing Alliance of Pennsylvania and local foundations, the TCC Leadership Team published this summer a Business Plan for the proposed Tri-COG Land Bank.

¹⁷ To learn more about Cuyahoga Land Bank's Deed-in-Escrow Program, see <http://www.cuyahogalandbank.org/toRenovate.php>

The work to date has been impressive, and we confirm that the business plan represents a well-researched and thoughtful framework for the proposed land bank board to carry out its duties and decisions. We also want to emphasize that the proposed Tri-COG Land Bank represents a groundbreaking model of regional cooperation that will not only benefit Allegheny County, but could also greatly benefit the national field of practice and point to possible solutions for smaller, communities across the country struggling under similar conditions.

There is no question that there remain some serious issues to resolve and items that warrant further consideration. For example, the Allegheny Amendment presents a significant challenge, and we encourage all parties who support deploying new and effective tools to combat blight to work constructively and cooperatively in the coming months to prioritize the execution of the ICAs.

But none of the outstanding challenges are reason to step away from the proposed Tri-COG Land Bank.

The high levels of vacancy and abandonment seen in the Mon Valley today—just as everywhere else—stem from a combination of systemic barriers and an underlying failure of the market. Both require a far more active role from government, armed with more creative solutions, engaged with more partners, and inspired by a common goal of creating safer, healthier neighborhoods for all.

A land bank can certainly play a critical role in achieving this goal, but we want to repeat that a land bank is not a “silver bullet” for communities struggling with vacancy, abandonment, and tax delinquency. In order to achieve and sustain vibrant, healthy and secure neighborhoods, a land bank’s policies, priorities, and activities *must* complement other community strategies and activities—such as strategic code enforcement, effective tax collection and enforcement, data collection and analysis, and smart planning and community development.

Building a comprehensive and coordinated regional approach to combatting vacancy and abandonment in Allegheny County will require time, political leadership, and a steady stream of investment. It will be challenging, but by no means impossible. Our research for this project uncovered a great deal of excitement and enthusiasm from a variety of stakeholders to transition from a state of fragmentation and the status quo to cooperation and consensus around a set of new and proactive strategies. The proposed Tri-COG Land Bank represents a promising path forward for former steel mill towns in the Mon Valley and beyond, and offers all engaged parties the chance to assume a supportive or lead role in building a better future for the residents of Allegheny County. We encourage the County to seize it.

APPENDIX A

We want to thank the following stakeholders who participated in either individual interviews or roundtable discussions during our two-day site visit:

Cassandra Collinge	Allegheny County Economic Development	Housing Manager
Maureen Quinn	Allegheny County Economic Development	Housing Development Coordinator
An Lewis	Steel Valley Council of Government	Executive Director
George Lambrinos	Steel Valley Council of Government	Community Redevelopment Administrator
Amanda Settelmaier	Turtle Creek Valley Council of Government	Executive Director
Liz Kozub	Turtle Creek Valley Council of Government	Special Projects Coordinator
John Palyo	Twin Rivers Council of Government	Executive Director
Greg Bachy	Plum Borough	Borough Assistant Manager
Monica Glowinski	Elizabeth Borough	Council President
Chuck Arthrell	Braddock Hills	Council Vice President
Leonard Hill	Wilkins Township	Property Maintenance Officer
Sylvia Martinelli	Wilkins Township	Board of Commissioners, President
Howard Bednar	City of Clairton	City Manager
Kyle Thauvette	West Homestead Borough	Borough Manager
Connie Rosenbayger	East McKeesport	Administrator
Bethany Davidson	PCRG	Neighborhood Policy Director
Iris Whitworth	ARTEZ	Executive Director
Mary Ellen Ramage	Borough of Etna	Borough Manager
Jim Price	CONNECT	Policy Manager
Kathy Risko	CONNECT	Executive Director
Will Bernstein	ACCD	Senior Policy Analyst
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Irene McLaughlin	Independent Consultants	
Michael McCabe	Goehring, Rutter & Boehm	Shareholder
Joseph Gramc	Goehring, Rutter & Boehm	Shareholder

APPENDIX B

Any and all legal and policy observations on the ICA, Local Ordinance, and Business Plan provided in this report are subject entirely to the review and guidance of local counsel. Such review and guidance is critical to the finalization, adoption and implementation of all Land Bank governing and operational documents.

Comments to Intergovernmental Cooperation Agreement

1. Ensure that all defined terms are used consistently throughout the ICA. If a term is defined, it should be capitalized throughout the document. Make sure that references to a defined term are consistent with the term as it is defined. For example, the term “Tri-COG Land Bank” is used, but “the Land Bank” is also used, as is “the land bank.” Conversely, make sure that all capitalized terms are actually defined terms or proper nouns.
2. Revise definition of Effective Date. If parties are continuously being added, then tying the Effective Date to 90 days after the last signatory signs means the Effective Date is never reached.
3. Fiscal Year definition. Need to add clause to cover first year because it will not begin on January 1, 2015.
4. Consider adding specific requirements for what constitutes “participation” by a taxing jurisdiction. Consider the mechanics associated with how a taxing jurisdiction participates? Section 3.2 indicates a separate ICA with the Tri-COG Land Bank upon the participation of a taxing jurisdiction.
5. Consider defining municipality.
6. There appears to be inconsistencies with how school districts participate. Are they participating members in the sense that they enter into a separate ICA with the Tri-COG Land Bank once it is formed? Or will they be parties to this ICA along with the other creating entities?
7. Add a definition for “Tri-Cog Land Bank Jurisdiction” and insert references throughout ICA where appropriate. This will help streamline the instances where geographic reference to a property is required.
8. Consider specifying how many public hearings are required to satisfy the provisions of Section 3.3.
9. Section 3.10 reference to Ordinance should be corrected to Agreement.
10. Consider how another municipality or land bank jurisdiction becomes a party to the ICA once it exists. Will the Board sign the joining party’s signature page as evidence of consent? Does the Board want to be able to approve the form and substance of the joining party’s authorizing resolution?

11. Section 4.1 needs some clarification. For example, where is the Municipal Advisory Committee defined? And by “participating municipalities” do you mean the Tri-COG Land Bank participants or the participants in the Tri-COG itself? Similar points to the School Board Advisory Committee. How do these committees jointly appoint the resident representative? Are there protocols already in place for this?
12. If first sentence of the last paragraph of 4.1 is limited to the interim board, move to Section 4.2.
13. If the TCC Committee wishes to keep the concept of an interim Board, the appointing language should be revised to account for the possibility that the initial Board could be appointed prior to 90 days after the Effective Date. Each of the interim Board appointments to read “for a term ending the earlier of (i) 90 days after the Effective Date or (ii) the date the initial Board is seated.” Further, since requiring interim Board to step down 90 days after Effective Date, consider adding express language requiring initial Board to be appointed no later than 90 days after the Effective Date.
14. Should the reference to “this Section” in Section 4.3 be revised to say “the previous Section”?
15. Section 4.7 has a contradiction regarding how vacancies are filled. Compare the last sentence and the first. Regardless, a taxing jurisdiction is never appointing a Board member. The committees, or the County Executive, where applicable, are responsible for appointing the Board members.
16. Clarify what is meant by “member” in the last sentence of Section 4.10. Member of the Board or member of the Tri-COG Land Bank?
17. Review ICA for consistent use/format of citations throughout the document.
18. Consider adding acquisition right related to acquisition from redevelopment authorities per Section 2109(d)(3) of the Land Bank Act.
19. In Section 6.3, insert language at the end of the second full sentence “regardless of whether such Real Property is located within the Tri-COG Land Bank Jurisdiction.”
20. Review number sequencing throughout (for example, jumps from Section 6.3 to 6.5).
21. In Section 6.8, clarify that the parties are authorizing the assignment and transfer of any Party’s tax claims upon conditions mutually acceptable to such Party. Conversely, consider whether general assignment and transfer terms should be included in the ICA.
22. In Section 6.11, clarify that the Tri-COG Land Bank is only holding and owning Real Property that is located within the Tri-COG Land Bank Jurisdiction. Also clarify that the property will be maintained in accordance with the Code of Ordinance and other applicable statutes, laws, and codes “of the jurisdiction in which the Real Property is located.”
23. In Section 8.2, consider whether clarifying language is needed. For example, as currently drafted, it isn’t clear how the percentage of delinquent tax collections remitted to the Tri-COG Land Bank is determined. In Section 8.2(a), consider clarifying that the intent is for the

Board of the Tri-COG Land Bank to be determining the percentage of delinquent taxes being remitted. Add language that specifies the Parties “shall take all necessary actions to dedicate or remit or cause to be dedicated or remitted” because a party may not be collecting its own taxes.

24. Section 8.2(f), should specify that this is “exclusive of any state ad valorem taxes and taxes attributable to school districts which are not participants of the Tri-COG Land Bank.”
25. Section 8.3(a)(1) is duplicative of the “procedures” Section. Consider revising so that it is a simple reference to the bonding authority granted by the Land Bank Act.
26. Consider clarifying the termination provisions. Does a party’s participation automatically renew? Do they have to re-execute a signature page? How does the withdraw provision work? If a Party wants to withdraw on October 2, what really prevents them from doing so? Are there existing ICAs that have withdrawal limitations like this, and if so, how do they work?
27. How does this ICA get amended? Consider whether an amendment to the ICA should require a super majority of the Board, or even super majority of the councils or the various governing bodies of the participating members of the Tri-COG Land Bank.

APPENDIX C

We asked the Tri-COG Leadership Team and Tri-COG member community leaders the following questions: *Why is vacancy and abandonment a top concern for your community?* and *“Why do you think this land bank is needed?”*

Below represents some of the answers we received:

- Capacity – We have no capacity to address this challenge, and it’s only getting worse
- We’re all small towns, and if we want to create efficiencies with our systems, the only way to do it is through economies of scale
- We all know blight is a problem, but we really don’t have a high level of expertise about the best tools and strategies to fix the problem
- Blight is contagious and spreading, and we need to contain it or it will just keep getting worse
- Blight is a problem for public safety
 - Results in a lot of fire and police calls and wastes time and tax dollars
 - One community gave example of how police found drugs under floor boards in a vacant property
- Blight is reducing our property values and making private investors go elsewhere
- A land bank offers all these small municipalities the chance to create something “new,” in which acquisition, management and re-use responsibilities are consolidated under one entity, endowed with special powers, and scaled regionally
- One municipal rep said one of the best things that we don’t talk about front and center is that we see land bank as a solutions-finder. The land bank will be able to explore, identify and implement more solutions to our challenges. We don’t have the resources and time to do this!
- Right now, none of the places are driving their development. People who come in with cash and projects are driving the development in these communities. A land bank can help communities control their own destiny.