



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

February 28, 2019

Honorable Bill Lee
Honorable Steven Dickerson
Honorable Kelly Keisling
Honorable John Crawford
State Capitol
Nashville, TN 37243

Dear Governor and Chairmen:

In compliance with Tenn. Code Ann. § 13-30-119, please see the attached report which provides a brief overview of land bank authority in Tennessee, a description of the three land bank corporations currently in existence in Tennessee, a conclusion with recommendations to local jurisdictions that implement land banks, and a list of all properties currently held in land banks. Our office will continue to collect information on land banks on an annual basis and post it to our website.

Please also note that Tenn. Code Ann. § 13-30-112 requires the board of directors of land bank corporations to cause an annual audit to be made of the books and records of the corporation. With prior approval of the Comptroller of the Treasury, the audit may be performed by a licensed certified public accountant selected by the land bank corporation. A copy of the annual audit is also required to be filed annually with the local government that created the land bank corporation.

If you need to contact our office, please call 615.401.7954 or email Betsy.Knotts@cot.tn.gov.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Betsy Knotts".

Betsy Knotts, J.D.
Executive Secretary
State Board of Equalization



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Overview of Land Bank Authority in Tennessee

For decades, older cities have struggled with the problems posed by unoccupied, dilapidated houses, vacant buildings and open, empty lots. Those abandoned properties depress tax revenues, strain public services and demand constant and expensive attention from local governments. Vacant and abandoned properties diminish the resources available to combat the contagious blight, crime, disease, and disinvestment associated with forgotten urban land. As many metropolitan areas continue to consume suburban and rural land much faster than their population grows, thousands of urban parcels sit idle, available but somehow out of reach. In a growing number of cities and counties, leaders are implementing new approaches to combat blight and abandonment. By rethinking the value and potential of vacant and abandoned properties—seeing them as assets rather than as a disposable commodity—these communities are finding new ways to breathe life into once-forgotten neighborhoods.

One of the approaches critical to this mission is the development of land banks—public authorities created to efficiently acquire, hold, manage, and develop tax-foreclosed property. By using the legal tools that a land bank provides, a community can ensure that tax-foreclosed property is sold or developed with the long-term interest of the community and surrounding property owners in mind.

Land banks often provide marketable title to properties previously impossible to develop due to complicated liens and confused ownership histories. While land banks are generally associated with older urban communities that have significant abandonment, they are potentially just as useful to safeguard healthy communities from deterioration, and for smaller communities seeking to protect land from passing through the slow process of decline so often associated with tax-foreclosed properties.

Though often challenging, securing consistent funding for a land bank is critical in order to cover the costs of converting these liabilities into community assets. Land banks are typically

funded through a variety of sources including foundation grants, revenue from the sale of properties, specific tax collection, developer fees, general fund appropriations from local and county governments, federal and state grants, and rental income.

Strategies of Land Banking

<i>Program Focus:</i>	Short-term ownership of vacant and blighted lands, remediation of contaminants, derelict structures, & title defects, and conveyance to private owners for reuse and redevelopment.
<i>Corporate Status:</i>	Public agency or quasi-public local government corporation. The acquisition, remediation, and disposition of lands may be done as an internal program of a local government or redevelopment agency or these tasks may be assigned to a newly chartered special purpose “city/county land bank authority.”
<i>Composition & Selection of Board:</i>	The corporation shall have a board of directors in which all powers of the corporation shall be vested. Such board shall consist of any number of directors, no fewer than five, all of whom shall be duly qualified electors of and taxpayers in the creating local government or local governments.
<i>Land Acquisition:</i>	Purchase on open market; receipt of “surplus” public property and receipt of tax-foreclosed property.
<i>Exemption from Property Taxes?</i>	Yes, during the period when properties are held by the land bank.
<i>Duration of Land Ownership:</i>	Title to lands (and any buildings) is typically held for a short period of time: three to five years.
<i>Disposition of Properties:</i>	Lands and buildings are both sold to private owners, often for the highest price the market will bear, after the land bank has cleared title and completed site remediation.
<i>Recycling of Public Investment:</i>	Subsidy recapture. Subsidies invested in acquiring and remediating lands are claimed by the land bank on the sale of the property.
<i>Long-term Affordability of Land & Buildings?</i>	No. Land banks typically impose no lasting affordability restrictions on lands and buildings that are removed from the land bank’s inventory and sold on the open market.
<i>Long-term responsibility for Homes & Homeowners?</i>	No. A public land bank typically imposes no conditions on the upkeep of buildings sold out of the land bank’s inventory. Nor does it intervene, should the owners of these buildings later face foreclosure.

According to Tennessee Housing Development Agency's (THDA), there are three land banks up and running in Tennessee:

1) Memphis & Shelby County, TN.

The Shelby County Land Bank is the recipient of properties obtained by Shelby County after a tax sale has been conducted and after the subsequent redemption period has expired. Currently, the Shelby County Land Bank has over 4,509 properties available of which 462 have residential or commercial improvements.

2) Chattanooga, TN.

The Chattanooga City Council approved the creation of the Chattanooga Land Bank Authority in February 2015. The publicly funded non-profit will utilize the traditional land bank model in acquiring, holding, then releasing vacant and distressed properties back into productive use.

3) Oak Ridge, TN.

The Oak Ridge Land Bank Corporation, located 25 miles outside of Knoxville, was the first land bank in Tennessee. Established in 2013, the independent non-profit works to promote owner-occupied housing, convert emptied small lots to increase the size of neighboring lots, create open space for mini-parks and gardens, develop additional off-street parking, and return property to productive tax-paying status by assembling tracts of land for residential and commercial development. The Oak Ridge Land Bank plans to utilize its resources to support the development of affordable housing through the donation of vacant property to local affordable housing non-profits organizations.

Conclusion and Recommendations

A land bank's role is not only to hold property, but to provide a variety of meaningful options to bring properties back to public use. A successful land bank is mindful of how the vacant lots are treated to ensure that they support housing market growth, rather than holding back from participating in the general housing market. One of the greatest benefits of this model is that land

banks provide multiple paths to increase the likelihood of a positive outcome. When developing a land bank program, a locality should consider the whole range of programs and functions that a land bank may engage in and examine the entire framework of how the government interacts with the weak -market properties.

The goal should be to put together an initiative that is beyond the life of the community's neighborhood blight crisis. Land banking needs to be customized to the local conditions of the community. It is important to gather quantitative data, including the number, location, and condition of vacant properties, and the costs they impose on governments and individuals. Land banks can be an impactful tool in Tennessee for eliminating blight and promoting the development of affordable housing. Land banking is a valuable model that stretches beyond housing and can spur economic development.