

# Community Based Foreclosure Response: Land Bank

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City/County Reinvestment Task Force

*a catalyst for economic progress*



**CITY-COUNTY REINVESTMENT TASK FORCE**

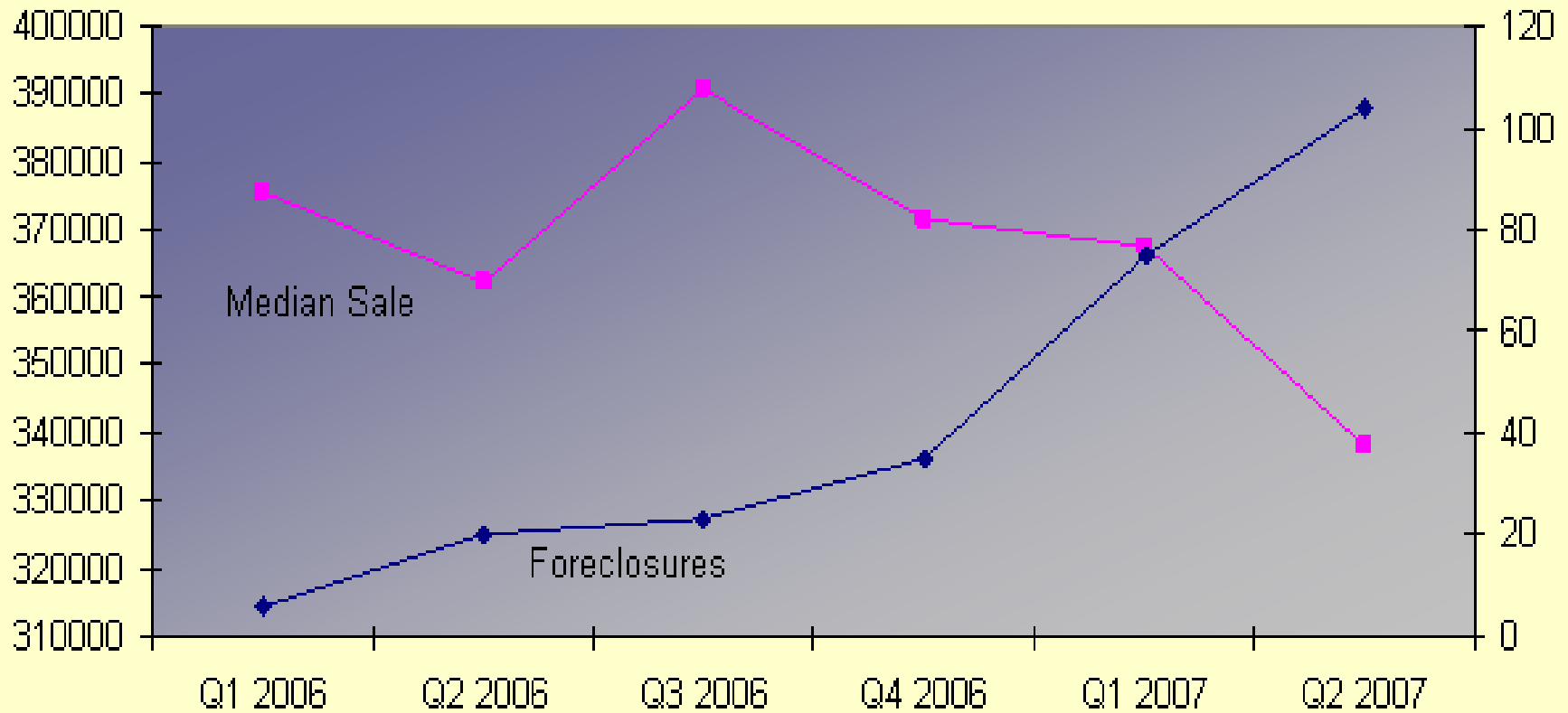
# Current Conditions

- There is a need for affordable housing not being met by available funding.
- High foreclosures in low-mod neighborhoods, inhibit stability and escalate decline.
- Foreclosures increase relative to equity decrease.
- Purchases at the bottom of the market stabilizes the market.
- Hedge funds purchases at reduced rates do not fully contribute to neighborhood economic stability and may prolong market instability.

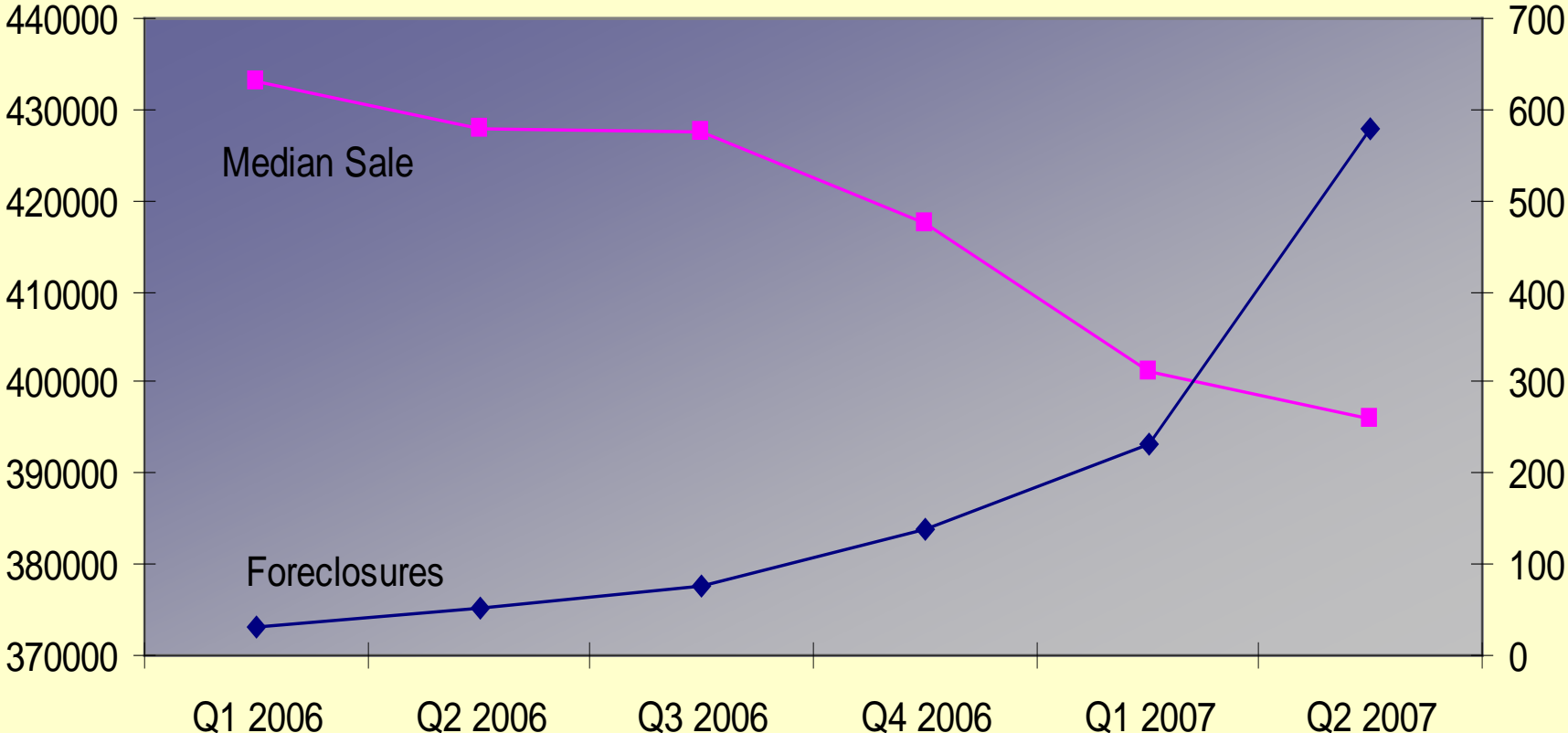
# Current Conditions II

- Neighborhood Stabilization Act provided \$3.5B for local interventions- requires 15% discount
- TARP (phase II) allocates \$500B for public/ private investment funds to be leveraged to \$1 trillion
- Pending sale of distressed loans by federal agencies (FDIC, Treasury, HUD)
  - \$1.45B structured sale of distressed loans (FDIC)

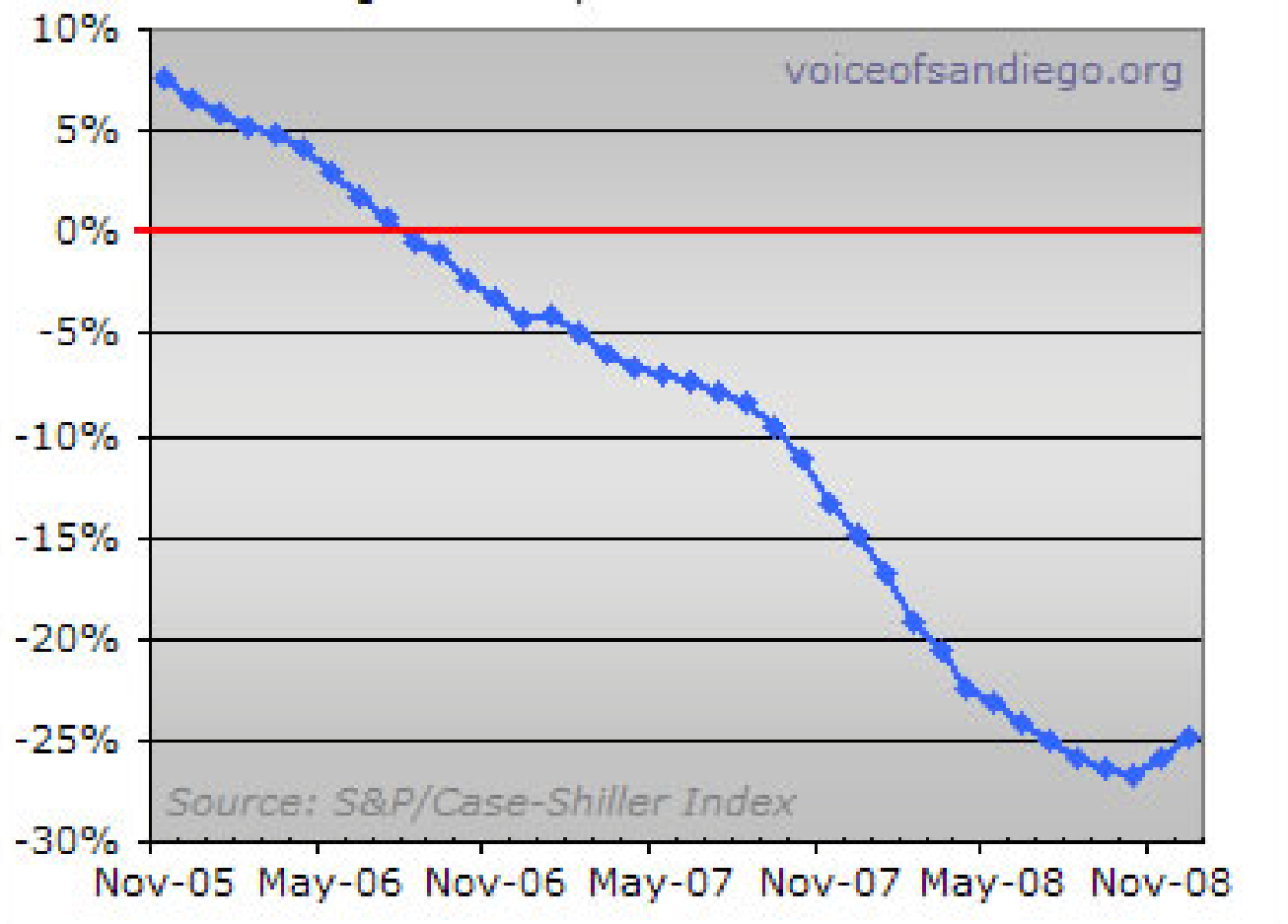
## San Diego County Low Income Tracts



# San Diego County Middle Income Tracts



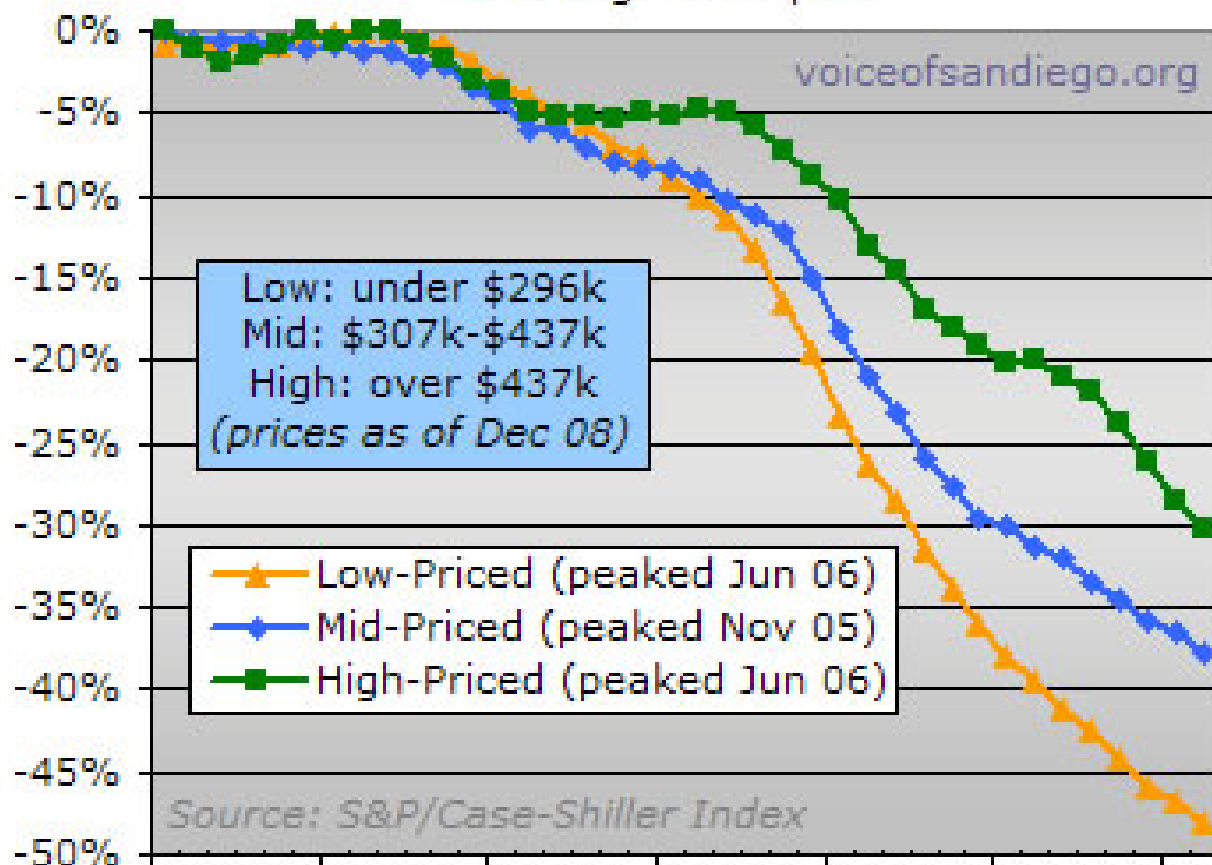
### SD Home Prices, Year-over-Year % Change starting at 11/05 peak in Case Shiller Index



# San Diego Resale Detached Home Prices

% change since peak

voiceofsandiego.org



Nov-05 May-06 Nov-06 May-07 Nov-07 May-08 Nov-08

# Possible Response Structural Characteristics

- Oriented to large scale acquisition with discount creating affordability
- Established for response to foreclosure environment with long term Land Trust as permanent entity
- Funded largely by private investment offering measured return with public and foundation subsidies;
- Linked to community organizations for rehabilitation, down payment assistance as well as maintaining long term affordability;
- Likely quasi public non-profit with for profit subsidiary;
- Ongoing partnership with for profit sub contractors for acquisition property identification, rehabilitation, management and financing;



# Getting Ready- Organizational Response

- Data to Identify
  - Volume
  - Geography
  - Ownership
  - Value
- Assess Multi-level Response Capability
  - Foreclosure counseling
  - Homebuyer programs/ pre-qualification strategy
  - Rehabilitation resources (non-profit/ public/ private)
  - Funding opportunities

# Getting Ready- Organizational Response

- Assemble stake holders to plan strategy, scale and targeting
  - Multi-level Response
    - Community
    - City
    - Region
- Stabilize Organizational Structure
  - Public/ private/ community overlay
- Identify production capability
  - Acquisition
  - Appraisal
  - Rehabilitation
  - Resale

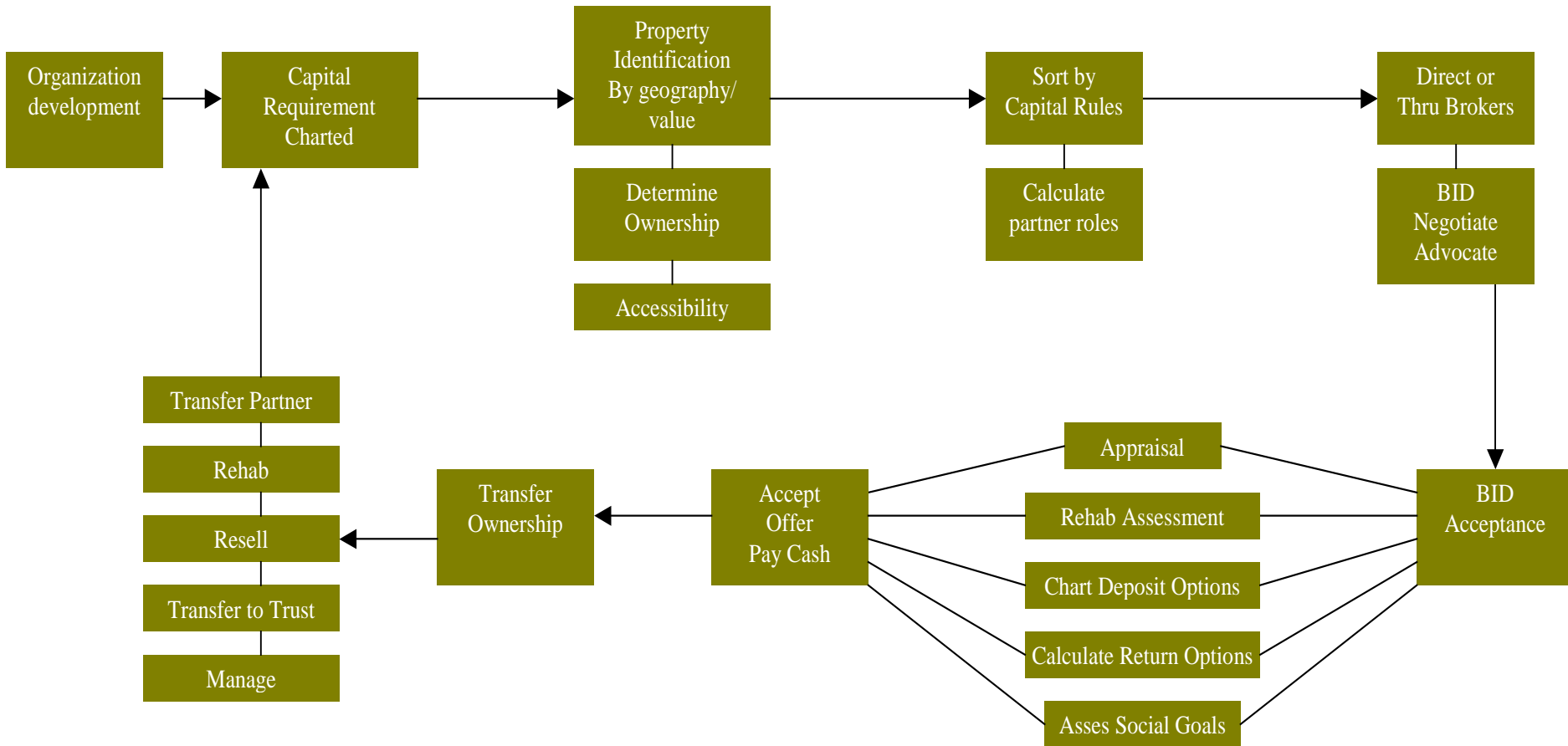
# Getting Ready- Organizational Response

- Implement funding actions/ commitments
  - Public
    - Bonds
    - Redevelopment
    - CRA Investments
    - State/ Federal funds
    - New Market Tax Credits
    - Grants
  - Private
    - Program Related Investments
    - Pension funds (linked to homebuyers)
    - Private Investors

# Getting Ready- Organizational Response

- Pursue Discounted Acquisitions
  - Brokers
  - Agents pre trained on priorities
  - Lenders
  - Government Secondary Markets
  - Advocacy

# Process



# Lender

## Incentives / Benefits

- Assist in maintaining value of non foreclosed properties in high concentration markets;
- Potential tax benefits from property transfer to non-profit organization;
- Potential for back end new home buyer lending;
- CRA investment opportunity with reasonable return;
- Removal of foreclosed properties from balance sheets as non-performing loans;
- Reduction of cash reserve obligations related to foreclosed properties;

# Evaluation

- Tracking sales prices, property values, and sales volume
- Diversification of exit outcomes related to return
- Assessment of process (acquisition, preparation and distribution)
- Achievement of socio-economic benefits (jobs, improved units, homeownership, etc)