Community Based Foreclosure Response: Land Bank

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

Source: S&P/Case-Shiller Index

voiceofsandiego.org
San Diego Resale Detached Home Prices
% change since peak

Low: under $296k
Mid: $307k-$437k
High: over $437k (prices as of Dec 08)

Source: S&P/Case-Shiller Index

Low-Priced (peaked Jun 06)
Mid-Priced (peaked Nov 05)
High-Priced (peaked Jun 06)
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 stakeholders 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
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
Pursue Discounted Acquisitions

- Brokers
- Agents pre trained on priorities
- Lenders
- Government Secondary Markets
- Advocacy
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)